

This booklet contains:

[Form 565](#), Partnership Return of Income

[Schedule D \(565\)](#), Capital Gain or Loss

[Schedule K-1 \(565\)](#), Partner's Share of Income, Deductions, Credits, etc.

[Schedule K-1 NR \(565\)](#), Nonresident Partner's Share of Income, Deductions, Credits, etc.

[FTB 3538](#), Payment Voucher for Automatic Extension for Limited Partnerships and REMICs

[FTB 3885P](#), Depreciation and Amortization

Members of the
Franchise Tax Board

Gray Davis, Chairman
Brad Sherman, Member
Russell Gould, Member



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1994 Instructions for Form 565

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

General Information

A Changes You Should Note

Federal Conformity. In general, California **did not** conform its law to the changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 did adopt specific provisions of the 1993 federal changes and these provisions are specifically identified when appropriate. All other references in these instructions are to the IRC as it existed on January 1, 1993.

Limited Liability Companies (LLC). Beginning in 1994, California law authorizes the formation of LLCs and recognizes out-of-state LLCs doing business in California. The taxation of an LLC in California depends upon its classification as a corporation or partnership for federal tax purposes.

If an LLC is classified as a partnership for federal tax purposes, it must file Form 568, Limited Liability Company Return of Income. LLCs classified as partnerships will determine their income, deductions and credits under the Personal Income Tax Law and will be subject to an annual tax and a schedule of fees based on gross income (as defined).

If an LLC is classified as a corporation for federal tax purposes, it must file Form 100, Corporation Franchise or Income Tax Return. LLCs classified as corporations will be subject to the applicable provisions of the Bank and Corporation Tax Law, including the requirement that corporations prepay the minimum franchise tax when they incorporate or qualify to do business with the California Office of the Secretary of State.

For more information, get FTB Pub. 1034, Limited Liability Companies.

Manufacturers' Investment Credit. A partnership which is a "qualified taxpayer" is allowed a credit for the **1995** taxable year equal to 6 percent of the qualified costs paid or incurred after January 1, 1994, for the purchase of qualified manufacturing equipment. Get FTB Pub. 1137, Manufacturers' Investment Credit, for more information.

Schedule K-1 NR (565), Nonresident Partner's Share of Income, Deductions, Credits, etc. Beginning in 1994, nonresident partners can report their share of income, deductions, credits, etc. using a new Schedule K-1 NR (565) designed to show their portion of California source income.

B Purpose of Form

Use Form 565, Partnership Return of Income, to report income, deductions, gains, losses, etc., from the operation of a partnership. Form 565 is an information return for calendar year 1994 or other fiscal year beginning in 1994.

Limited Partnership Tax

Limited partnerships, both domestic and foreign, that do business in California or that have a Certificate of Limited Partnership on file with the California Office of the Secretary of State regardless of whether it does business in California and real estate mortgage investment conduits (REMICs) that are partnerships and do business in California at any time during the year are subject to a minimum tax of \$800. Limited partnerships that hold an interest in a partnership doing business in California are also subject to the minimum tax. This tax cannot be deducted as an expense by the partnership nor

can it be deducted from the partner's distributive share. If the REMIC did business for only one day during the year, the full minimum tax of \$800 is due.

A limited partnership is a partnership composed of at least one general partner and one or more limited partners.

A REMIC is a special tax vehicle for entities that issue multiple classes of investor interests backed by a fixed pool of mortgages. Get the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return, for more information. REMICs that are partnerships must use Form 565.

For definitions of a partnership, general partner, limited partner, nonrecourse loans, etc., see the instructions for federal Form 1065, U.S. Partnership Return of Income.

C Who Must File

Every partnership (including a REMIC) that engages in a trade or business or has income from sources in California must file Form 565. Regardless of where the trade or business of the partnership is conducted, a partnership is considered to be doing business in California if any of its partners (general or limited) or other agents are conducting business in California on behalf of the partnership. In such cases, the partnership is required to file Form 565.

Religious and apostolic organizations that are exempt from income tax under R&TC Section 23701k are not required to file Form 565. However, Form 565 should be prepared and attached to Form 199, California Exempt Organization Annual Information Statement or Return.

Every LLC classified as a partnership for California tax purposes that is:

- doing business in California;
- organized in California; or
- organized in another state but registered with the California Office of the Secretary of State

must file Form 568.

A qualifying syndicate, pool, joint venture or similar organization may elect under IRC Section 761(a) (which California follows) not to be treated as a partnership for state income tax purposes and will not be required to file Form 565 except for the year of election.

Partnerships, except limited partnerships, that do not do business in California and that do not receive income from California sources are not required to file Form 565, even if the partnership consists of one or more California resident. However, if a partnership elects to compute income for California purposes in a manner different from the method used to compute income for the partnership's federal return (e.g., a different method to compute installment sales), a separate California partnership return must be filed.

Limited partnerships, both domestic and foreign, doing business in California or having a Certificate of Limited Partnership on file with the California Office of the Secretary of State (whether or not doing business in California) must file a return and pay the minimum tax of \$800.

A resident partner of a nonresident partnership may be required to furnish a copy of federal Form 1065.

If Form 565 is filed for a qualifying syndicate, pool, joint venture or similar group, a copy of the operating agreement and all amendments must be attached to the return, unless a copy has been previously filed with the Franchise Tax Board (FTB).

D When and Where to File

A partnership must file Form 565 by the 15th day of the 4th month following the close of its taxable year.

Mail Form 565 with payment (limited partnerships and REMICs only) to:

**Franchise Tax Board
P.O. Box 942867
Sacramento, CA 94267-0001**

Make the check or money order payable to the "Franchise Tax Board." Write the partnership's federal employer identification number (F.E.I.N.), Secretary of State file number and 1994 Form 565 on the check or money order.

Mail Form 565 with no payment to:

**Franchise Tax Board
P.O. Box 942840
Sacramento, CA 94240-0006**

If the partnership cannot file Form 565 by the due date, it is granted an automatic six month extension without filing a request for extension.

Note: For limited partnerships and REMICs, the automatic extension does not extend the time to pay the \$800 minimum tax. To avoid a late payment penalty, 100 percent of the limited partnership tax liability must be paid by the due date of the return. See form FTB 3538, Payment Voucher for Automatic Extension for Limited Partnerships and REMICs, on page 37 to submit the required payment if the partnership is filing the return on extension.

E Penalties and Interest**Failure to File a Timely Return or Provide Information**

A penalty is assessed against the partnership if it is required to file a partnership return and it:

- fails to file the return on time, including extensions; or
- files a return that fails to show all the information required, unless the failure is due to reasonable cause.

The amount of the penalty for each month, or part of a month (for a maximum of five months) the failure continues, is \$10 multiplied by the total number of partners in the partnership during any part of the taxable year for which the return is due. Interest will be due and payable on the penalty from the date of the notice of tax due.

The federal exception to the imposition of penalties for failure to file partnership returns that is provided to "small partnerships" defined in IRC Section 6231 is not applicable for California purposes. Get FTB Notice CR-88-692 for more information.

Failure to Pay Total Tax by Due Date

For limited partnerships and REMICs who must pay the \$800 minimum tax with Form 565, a penalty for late payment of tax may be assessed. Any limited partnership or REMIC that fails to pay the limited partnership tax by the original due date is assessed a penalty of 5 percent of the unpaid tax, plus 0.5 percent for each month, or part of a month (not to exceed 40 months) the tax remains unpaid. This penalty cannot exceed 25 percent of the unpaid tax. Interest will be due and payable on the late payment. **Note:** A penalty may also be charged for a check returned for insufficient funds.

F Accounting Methods

Compute ordinary income by the accounting method regularly used to maintain the partnership's books and records. This method must clearly reflect income.

Partnerships given permission to change their accounting method for federal purposes should see IRC Section 481 for information relating to the adjustments required by changes in accounting method.

Rounding to Whole-Dollar Amounts

We encourage you to show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next dollar.

G Accounting Periods

Partnership returns normally must be filed for an accounting period that includes 12 full months. A short period return may be filed if the partnership originates or terminates within the taxable year.

See the instructions for federal Form 1065 for information on the required taxable year of a partnership.

H Amended Return

If, after the partnership files its return, it becomes aware of changes it must make to income, deductions, credits, etc., the partnership should file an amended Form 565 and an amended Schedule K-1 (565), Partner's Share of Income, Deductions, Credits, etc., or Schedule K-1 NR (565), Nonresident Partner's Share of Income, Deductions, Credits, etc., for each partner or nonresident partner. Check the amended return box in Item I on Side 1 of Form 565. Give a corrected Schedule K-1 (565) or Schedule K-1 NR (565) labeled "Amended" to each partner.

If the partnership's federal return is changed for any reason, the federal change may affect the partnership's California return. This would include changes made as a result of an examination of the partnership's return by the Internal Revenue Service (IRS). The partnership must file an amended return within six months of the final federal adjustments. The partnership should attach a copy of the Federal Agent Report to the return. The partners may also be required to file amended returns within six months from the date of the final federal adjustments, based on any changes made by the IRS.

I Required Information Returns

Every partnership must file information returns if, in the course of its trade or business, it makes payments of rents, salaries, wages, annuities or other fixed or determinable income totaling \$600 or more; interest and dividends totaling \$10 or more; and cash payments over \$10,000 received in a trade or business. Payments of any amount by a broker, dealer or barter exchange agent must also be reported.

Partnerships must report payments made to California residents by providing copies of federal Form 1099. Partnerships must also submit federal Form 8300, Report of Cash Payment Over \$10,000 Received in a Trade or Business, within 15 days after the date of the transaction. Reports are made for the calendar year and generally are due on February 28th of the year following payment. For nonresidents, see the reporting and withholding requirements on Form 592, Nonresident Withholding Annual Return, Form 592-A, Nonresident Withholding Remittance Statement, and Form 592-B, Nonresidents Withholding Tax Statement.

Partnerships must use form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to report interest due or to be refunded under the look-back method on long-term contracts.

J Special Items

California law generally follows federal law in the areas of:

- IRC Section 702(a) items;
- elections;
- distributions of unrealized receivables and inventory items;
- partners dealings with the partnership;
- contributions to the partnership;
- income of foreign nonresident partners subject to withholding at source, Forms 592, 592-A and 592-B;
- at-risk rules;
- passive activity limitations;
- net operating loss deduction (a partnership is not allowed the deduction for net operating losses for California or federal purposes);
- publicly traded partnerships;
- long-term contracts;
- installment sales;
- vacation pay;
- amortization of past service costs;
- distributions of contributed property by a partnership; and
- recognition of precontribution gain in certain partnership distributions to contributing partners.

See the instructions for federal Form 1065 for specific information about these provisions.

K Signatures

General Partner

Form 565 is not a valid return unless it is signed. Form 565 must be signed by a general partner. If a receiver, trustee in bankruptcy or assignee controls the organization's property or business, that person must sign the return.

Paid Preparer's Information

If someone prepares the return and does not charge the partnership, that person should not sign the partnership return.

Generally, anyone who is paid to prepare the partnership return must sign the return and complete the Paid Preparer's Use Only area of the return.

The paid preparer must:

- complete the required preparer information;
- sign in the space provided for the preparer's signature (signature stamps or labels are not acceptable); and
- give the partnership a copy of the return in addition to the copy to be filed with the FTB.

L Group Returns

Individual nonresident partners of a partnership doing business or deriving income from sources in California may elect under R&TC Section 18535 to file a group return in lieu of filing an individual Form 540NR. This is allowed only if the nonresident partner has no California source income other than that reported on partnership group returns. Any nonresident partner having California source income from other sources should not be included in the group return. Instead they should file Form 540NR. The tax rate is at the highest marginal rate. No deductions are allowed except those necessary to determine each partner's distributive share and certain deductions provided for by Chapter 5, Division 2, Part 10 of the R&TC (commencing with Section 17501). The deductions allowed are those attributable to earned income of a partner derived from a partnership filing a group return on behalf of electing nonresident partners if the partner has no earned income from any other

source. No credits are allowed except those directly attributable to the partnership. Include form FTB 3864, Group Nonresident Return Election, when the group return is filed. For more information, get FTB Pub. 1073, Guidelines for Filing a Group Nonresident Return for Partners/Members of a Partnership/Limited Liability Company, or contact:

Franchise Tax Board
Attn: Resource Development Section
P.O. Box 1468
Sacramento, CA 95812-1468
Telephone: (916) 845-3465

M Investment Partnerships

Income of nonresident partners, including a bank or corporation, derived from "qualified investment securities" of an "investment partnership" is considered to be income from sources other than California, except as noted below. Therefore, nonresident partners generally will not be taxable on this income. The partnership should inform its nonresident partners if all or a portion of their distributive share of income is from "qualified investment securities" of an "investment partnership."

The nonresident partner would be taxable on his or her distributive share of income from the "investment partnership" if the "qualified investment securities" are inter-related with any other business activity of the nonresident partner that is separate and distinct from the investment activity and is conducted in California, or if the "qualified investment securities" are acquired with the working capital of a California trade or business. A bank or corporation would be taxable on its distributive share of income if it participates in the management of the investment activities or engages in a unitary business with another taxpayer that participates in managing the investment activities or has income from California sources.

An "investment partnership" is a partnership that meets the following two criteria:

1. No less than 90 percent of the partnership's assets consist of:
 - qualifying investment securities;
 - deposits at banks or other financial institutions; and/or
 - office equipment and office space reasonably necessary to carry on the activities of an investment partnership.
2. No less than 90 percent of the partnership's income is from interest, dividends and gains from the sale or exchange of qualifying investment securities.

"Qualifying investment securities" include:

- common and preferred corporate stock, as well as debt securities convertible into common stock;
- bonds, debentures and other debt instruments;
- foreign and domestic currency deposits and securities convertible into foreign securities;
- mortgage or asset-backed securities secured by governmental agencies;
- repurchase agreements and loan participations;
- foreign currency exchange contracts and forward and futures contracts on foreign currencies;
- stock and bond index securities and futures contracts, and other similar securities;
- regulated futures contracts; and
- options to purchase and sell any of the preceding qualified investment securities, except regulated futures contracts.

"Qualifying investment securities" do not include an interest in a partnership, unless the partnership qualifies as an "investment partnership."

N Dissolving a Limited Partnership

To dissolve a limited partnership the following steps must be taken:

- file a final return;
- pay the minimum tax; and
- file Form LP-3, Certificate of Dissolution, and Form LP-4, Certificate of Cancellation, with the California Office of the Secretary of State.

For more information contact:

**Office of the Secretary of State
Limited Partnership Division
P.O. Box 944225
Sacramento, CA 94244-2250
Telephone: (916) 324-6769**

Specific Instructions**Form 565****Fill In All of the Applicable Lines and Schedules**

Enter any items specially allocated to the partners on the appropriate line of the applicable partner's Schedule K-1 (565) or Schedule K-1 NR (565) and the total amount on the appropriate line of Schedule K (565). Do not enter these items directly on Form 565, Side 1, or on Schedule A or Schedule D.

Name, Address, Secretary of State File Number and Federal Employer Identification Number (F.E.I.N.)

The partnership may use its legal or trade name on all tax returns and other documents filed. Use the label on the booklet that was mailed to the partnership unless it is incorrect. If the information is incorrect on the label or if the partnership does not have a label, print or type the partnership's legal or trade name, address, Secretary of State file number, and federal employer identification number on the appropriate lines.

Note: Only limited partnerships need to enter the Secretary of State file number.

Item F – Total Assets at End of Taxable Year

See the instructions for Question N before completing this item.

If you are required to complete this item, enter the total assets at the end of the partnership's taxable year, as determined by the accounting method regularly used in maintaining the partnership's books and records. If there are no assets at the end of the taxable year, enter the total assets as of the beginning of the taxable year.

Question N – If Question 5a through Question 5c on federal Form 1065, Schedule B are all answered "yes," answer "yes" to Question N on Form 565.

If Question N is answered "yes," the partnership is not required to complete Schedules L, M-1 and M-2 or Item F, on Side 1 of Form 565 or Item I on Schedule K-1 (565) or Schedule K-1 NR (565).

Question T – If the partnership is a limited partnership doing business in California or has a Certificate of Limited Partnership on file with the California Office of the Secretary of State, the partnership is required to pay the minimum tax of \$800. Enter the minimum tax on line 23. Make the check or money order payable to the "Franchise Tax Board."

Question V – R&TC Sections 18662 and 18666 require taxes to be withheld from certain payments or allocations of income and remitted to the FTB.

1. Foreign Nonresident Partners

As described in IRC Section 1446 and modified by R&TC Section 18666, if a partnership has any

income, gain or loss from a trade or business within California, and if any portion of that income, gain or loss is allocable under IRC Section 704 to a foreign partner, the partnership is required to withhold tax on that amount allocable to a partner who is not a United States person.

State and federal differences — California generally conforms to IRC Section 1446 and corresponding federal rulings and procedures. The main differences between California and federal laws are:

- The California withholding rate is 9.3 percent for corporations and 11 percent for individuals, partnerships and fiduciaries.
- Amounts that are attributable to income from the disposition of California real estate, as defined in R&TC Section 18662, are not to be excluded from the amount to be withheld upon under IRC Section 1446 for state purposes.

2. Domestic Nonresident Partners

R&TC Section 18662 requires the withholding of funds for income or franchise taxes by a partnership when it makes a distribution of income to a domestic nonresident partner. This includes prior year income that should have been, but was not previously reported as income from California sources on the partner's California income tax return. However, withholding is not required if distributions of income from California sources to the partner are \$1,500 or less during the calendar year. Domestic nonresident partners include individuals who are nonresidents of California and corporations that are not qualified to do business in California or do not have a permanent place of business in California. Domestic nonresident partners also include nonresident estates and trusts, LLCs and partnerships who do not have a permanent place of business in California. Foreign partners covered under R&TC Section 18666 are not domestic nonresident partners.

Partnerships with income from within and outside of California must make a reasonable estimate of the ratio, to be applied to the distributions, that approximates the ratio of California source income to total income. The ratio for the prior year will generally be accepted as reasonable. Partnerships are required to withhold at a rate of seven percent of distributions (including property) of income from California sources made to domestic nonresident partners.

The FTB has administrative authority to allow reduced withholding rates, including waivers, when requested in writing. These authorizations may be one-time, annual or for a longer period. Waivers or reduced withholding rates will normally be approved when distributions are made by publicly-traded partnerships, and on distributions to brokerage firms, tax-exempt organizations and tiered partnerships.

No withholding is required if the distribution is a return of capital or does not represent taxable income for the current or prior years. Although a waiver is not required in this situation, if upon audit the FTB determines that withholding should have been done on a distribution, the partnership may be liable for the withholding and penalties.

Send waiver requests and inquiries to:

**Franchise Tax Board
Withhold at Source Unit
P.O. Box 651
Sacramento, CA 95812-0651
Telephone: (916) 845-4900**

The withholding should be reported on and remitted with Forms 592, 592-A and 592-B.

The taxable income of nonresident partners is the distributive share not the distributed amount. For more information, get FTB Pub. 1017, Nonresident Withholding – Partnership Guidelines.

Specific Line Instructions

Income

Line 1a through Line 8

California's reporting requirements are generally the same as the federal reporting requirements. Follow the instructions for federal Form 1065, line 1a through line 8.

As with the federal requirements, include only trade or business activity income on line 1a through line 8. However, the business income of the partnership is computed using the rules set forth in R&TC Section 25120. Therefore, certain income that may be portfolio income for federal purposes may be business income for California sourcing purposes. Do not include rental activity income or portfolio income on these lines. Rental activity income and portfolio income are separately reported on Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565) (rental real estate activities are also reported on federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation).

Line 5 – Net Farm Profit (Loss)

Enter the partnership's net profit (loss) from federal Schedule F (Form 1040), Farm Income and Expenses. Attach federal Schedule F (Form 1040) to Form 565. If the amount includable for California purposes is different from the amount on federal Schedule F (Form 1040), enter the California amount and attach an explanation of the difference.

Line 6 – Net Gain (Loss) from Schedule D-1

Include only ordinary gains or losses from the sale, exchange or involuntary conversion of assets used in a trade or business activity. Ordinary gains or losses from the sale, exchange, or involuntary conversion of rental activity assets must be reported separately on Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565), generally as part of the net income (loss) from the rental activity.

A partnership that is a partner in another partnership must include on Schedule D-1 its share of ordinary gains (losses) from sales, exchanges or involuntary conversions (other than casualties or thefts) of the other partnership's trade or business assets.

Deductions

Line 9 through Line 21

California's reporting requirements are generally the same as the federal reporting requirements. Follow the instructions for federal Form 1065, line 9 through line 21.

As with the federal requirement, include only trade or business activity deductions on line 9 through line 20. Do not include any rental activity expenses or deductions which are allocable to portfolio income on these lines. Rental activity deductions and deductions allocable to portfolio income are separately reported on Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565).

Federal reporting requirements for organization and syndication expenses and uniform capitalization rules apply for California.

Line 9 – Salaries and Wages

California does not require a partnership to reduce salaries and wages by the amount of the jobs tax credit.

Line 16a – Depreciation and Amortization

Enter on line 16a the total depreciation and amortization claimed on assets used in a trade or business activity. Complete and attach form FTB 3885P, Depreciation and Amortization, (included in this booklet on page 27 and page 29), to figure depreciation and amortization. Transfer the total from form FTB 3885P, line 5 to Form 565, Side 1, line 16a, or federal Form 8825, as appropriate (use California amounts). See the instructions for form FTB 3885P on page 28 for more information.

Do not include any expense deduction for recovery property (IRC Section 179/R&TC Sections 17252.5, 17265 and 17266) on this line. This amount is not deducted by the partnership. Instead, it is passed through separately to the partners and is reported on line 9 of Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565).

Specific Instructions

Schedule A –

Cost of Goods Sold

Use Schedule A on Side 2 of Form 565 to report the cost of goods sold for the taxable year.

California's reporting requirements are generally the same as the federal reporting requirements. Follow the instructions for federal Form 1065, Schedule A.

Schedule L –

Balance Sheets

California's reporting requirements are the same as the federal reporting requirements. Follow the instructions for federal Form 1065, Schedule L.

Note: Domestic partnerships with 10 or fewer partners may not have to complete Schedule L. See the instructions for Question N on page 6 for the specific requirements to qualify for this exception.

Schedule M-1, Reconciliation of Income (Loss) per Books With Income (Loss) per Return, Schedule M-2, Analysis of Partners' Capital Accounts and Schedule K-1 (565) and Schedule K-1 NR (565), Item I – Analysis of Partners' Capital Account

Note: Domestic partnerships with 10 or fewer partners may not have to complete Schedule M-1 and Schedule M-2 or Item I (Schedule K-1 (565) and Schedule K-1 NR (565)). See the instructions for Question N on page 6 for the specific requirements to qualify for this exception.

If the partnership is required to complete Schedule M-2, the amounts shown should agree with the partnership's books and records and the balance sheet amounts. Attach a statement explaining any differences.

Note: Be sure to use California amounts when filling out these schedules.

Also, the amounts on Schedule M-2 should equal the total of the amounts reported in Item I of all the partners' Schedule K-1 (565) or Schedule K-1 NR (565).

Schedule K (565), Schedule K-1 (565) and Schedule K-1 NR (565) — Partners' Shares of Income, Deductions, Credits, Etc.

Purpose of Schedules

Schedule K (565) is a summary schedule of all the partners' and nonresident partners' shares of the partnership's income, deductions, credits, etc. Schedule K-1 (565) and Schedule K-1 NR (565) shows each partner's and nonresident partner's separate share. One copy of each Schedule K-1 (565) and Schedule K-1 NR (565) must be attached to Form 565 when it is filed with the FTB. One copy must be kept with a copy of the partnership return as a part of the partnership's records. One copy must be given to each partner.

Note: Be sure to give each partner a copy of either the Partner's Instructions for Schedule K-1 (565) or Schedule K-1 NR (565) or specific instructions for each item reported on the partner's or nonresident partner's Schedule K-1 (565) or Schedule K-1 NR (565).

Substitute Forms

You do not need approval from the FTB to use a substitute Schedule K-1 (565) or Schedule K-1 NR (565) if it is an **exact** facsimile of the California Schedule K-1 (565) or Schedule K-1 NR (565), or if it contains only those lines the taxpayer is required to use, and the lines have the same numbers and titles and are in the same order as on the California Schedule K-1 (565) or Schedule K-1 NR (565). In either case, your substitute schedule must include the Partner's Instructions for Schedule K-1 (565) or Schedule K-1 NR (565) or other prepared specific instructions. Get FTB Pub. 1098, Guidelines for the Use and Development of Substitute, Scannable and Reproduced Tax Forms, for more information.

Filing Schedule K-1 (565) or Schedule K-1 NR (565) on Microfiche

You may report California Schedule K-1 (565) or Schedule K-1 NR (565) information to the FTB on microfiche. Use the following guidelines to report California Schedule K-1 (565) or Schedule K-1 NR (565) partnership information to the FTB on microfiche. Questions regarding this material or microfiche equipment in general may be directed to the FTB's Microfiche Coordinator at (916) 845-3721.

Note: The Microfiche Coordinator cannot provide assistance on Schedule K-1 (565) or Schedule K-1 NR (565) information.

1. Use microfiche no larger than 4 inches by 6 inches in size.
2. Use a reduction ratio of 48X. This provides a maximum 270 frames per microfiche.
3. Use a microfiche format of 16 rows by 18 columns.
4. Use grid coordinates.
5. Use a standard print line length of 133 characters at 6 lines per inch.
6. Provide an index.
7. Retain the microfiche master for your files. Send a copy to the FTB.

If you have more than 1000 partners we recommend the use of microfiche.

Schedule K (565) Only

In column (b) on Schedule K (565), enter the worldwide income computed under California law. For partners to comply with the requirements of IRC Section 469, trade or business activity income (loss), rental activity income (loss) and portfolio income must be considered separately by the partners. Rental activity income (loss) and

portfolio income are not reported on Side 1 of Form 565 so that these amounts are not combined with trade or business activity income (loss). Schedule K (565) is used to report the totals of these (and other) amounts.

Schedule K-1 (565) Only

In column (b) on Schedule K-1 (565), enter the amounts from federal Schedule K-1 (1065). In column (e), enter the California amount, which is the result of differences between allowable state and federal income or deductions. In column (c), enter the difference between the California and federal amounts. **Note:** The column (c) adjustments are only those which are a product of the difference between California and federal law with respect to the specific line items. See Specific Instruction F, Other, for separate instructions to shareholders, on page 35 for reporting apportionment and allocation adjustments. On or before the day on which the partnership return is due, prepare and give a Schedule K-1 (565) to each person who was a partner in the partnership at any time during the year.

Schedule K-1 NR (565) Only

In column (b) on Schedule K-1 NR (565), enter the amounts from federal Schedule K-1 (1065). In column (d), enter the California amount, which is the difference between allowable state and federal income or deductions. In column (c), enter the difference between the California and federal amounts. In column (e), enter the amount reportable to California after apportionment and allocation adjustments. See Specific Instruction F, Other, for separate instructions to shareholders on page 35 for reporting apportionment and allocation adjustments. On or before the day on which the partnership return is due, prepare and give Schedule K-1 NR (565) to each person who is a nonresident partner in the partnership at any time this year.

If a husband and wife each had an interest in the partnership, you must prepare a separate Schedule K-1 (565) or Schedule K-1 NR (565) for each of them. If a husband and wife held an interest together, prepare one Schedule K-1 (565) or Schedule K-1 NR (565) if the two of them are considered to be one partner.

On each Schedule K-1 (565) or Schedule K-1 NR (565), enter the name, address and state or federal identifying number of the partner and partnership and the partner's distributive share of each item.

For an individual partner, you must enter the partner's social security number. For all other partners, you must enter their federal employer identification number. However, if a partner is an individual retirement arrangement (IRA), enter the identifying number of the custodian of the IRA. Do not enter the social security number of the person for whom the IRA is maintained.

Regardless of the classification of income for federal purposes, the partnership's income from California sources is determined in accordance with Uniform Division of Income for Tax Purposes Act, Sections 25120-25139 inclusive of the R&TC. Therefore, the partnership must provide information to each partner to identify the items and amounts of California source income on Schedule K-1 (565) or Schedule K-1 NR (565). See 18 Cal. Code Reg. Sections 17951-4 and 25137-1 for more information.

Special Reporting Requirements for Passive Activities

If items of income (loss), deduction or credit from more than one activity are reported on Schedule K-1 (565) or Schedule K-1 NR (565), the partnership must attach a statement to Schedule K-1 (565) or Schedule K-1 NR (565) for each activity that is a passive activity

to the partner. Rental activities are passive activities to all partners; trade or business activities are passive activities to general partners who do not materially participate in the activity and to limited partners.

The attachment must include all the information explained in the instructions for federal Schedule K-1 (1065).

Questions A, B, C (Schedule K-1 (565) or Schedule K-1 NR (565))

See the federal instructions for Questions A, B and C on federal Schedule K-1 (1065).

Specific Line Instructions

The California Schedule K (565) generally follows the federal Schedule K (1065). Where California and federal laws are the same, the instructions for California Schedule K (565) refer to the instructions for federal Schedule K (1065).

Income

**Line 1
through
Line 7**

See the federal instructions for Schedule K (1065) and Schedule K-1 (1065), Income (Loss), line 1 through line 7.

Line 6 – Enter on line 6 the amount shown on Schedule D-1, line 7. Do not include specially allocated ordinary gains and losses or net gains or losses from involuntary conversions due to casualties or thefts on this line. Instead, report them on line 7.

If the partnership has more than one activity and the amount on line 6 is a passive activity amount to the partner, attach a statement to Schedule K-1 (565) or Schedule K-1 NR (565) (or use the space provided on Side 2 of Schedule K-1 (565) or Schedule K-1 NR (565)) that identifies to which activity the IRC Section 1231 gain (loss) relates.

Deductions

Line 8a – Charitable Contributions

Enter the total amount of charitable contributions made by the partnership during its taxable year on Schedule K (565) and each partner's distributive share on Schedule K-1 (565) or Schedule K-1 NR (565). Attach an itemized list to both schedules that show the amount subject to the 50 percent, 30 percent and 20 percent limitations.

A resident partner is allowed a deduction for contributions to qualified organizations as provided in IRC Section 170.

**Line 9
through
Line 11**

See the federal instructions for Schedule K (1065) and Schedule K-1 (1065), Deductions, line 9 through line 11.

Investment Interest

**Line 12a
through
Line 12b(2)**

These lines must be completed whether or not a partner is subject to the investment interest rules.

Line 12a – Interest Expense on Investment Debts

Enter on this line interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Therefore, interest expense allocable to portfolio income

should be reported on line 12a of Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565) (rather than line 10 of Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565)).

Property held for investment includes a partner's interest in a trade or business activity that is not a passive activity to the partnership and in which the partner does not materially participate. An example would be a partner's working interest in an oil and gas property (i.e. the partner's interest is not limited) if the partner does not materially participate in the oil and gas activity. Investment interest does not include interest expense allocable to a passive activity.

For more information, get form FTB 3526, Investment Interest Expense Deduction.

Line 12b(1) and Line 12b(2) – Investment Interest and Expenses

Enter on line 12b(1) only the investment income included on line 4a through line 4e of Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565). Enter on line 12b(2) only investment expense included on line 10 of Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565).

If there are items of investment income or expense included in the amounts that are required to be passed through separately to the partner on Schedule K-1 (565) or Schedule K-1 NR (565) (items other than the amounts included on line 4 and line 10 of Schedule K-1 (565) or Schedule K-1 NR (565)), give each partner a schedule identifying these amounts.

Investment income includes gross income from property held for investment, gain attributable to the disposition of property held for investment and other amounts that are gross portfolio income. Generally, investment income and investment expense do not include any income or expense from a passive activity.

Property subject to a net lease is not treated as investment property because it is subject to the passive loss rules. Do not reduce investment income by losses from passive activities.

Investment expenses are deductible expenses (other than interest) directly connected with the production of investment income. Get the instructions for form FTB 3526 for more information on investment income and expenses.

Credits

**Line 13b
through
Line 13d**

These lines relate to rental activities. Use line 14 to report credits related to trade or business activities.

Note: California line numbers are different from federal line numbers.

Line 13b – Low-Income Housing Credit

IRC Section 42 provides a credit that may be claimed by owners of residential rental projects providing low-income housing. Generally, the credit is effective for buildings placed in service after 1986.

Line 13c – Credits Related to Rental Real Estate Activities Other Than Line 13b

Report any information that the partners need to figure credits related to a rental real estate activity, other than the low-income housing credit. Attach to each partner's Schedule K-1 (565) or Schedule K-1 NR (565) a schedule showing the amount to be reported and the applicable form on which the amount should be reported.

Line 13d – Credits Related to Other Rental Activities

Use this line to report information that the partners need to figure credits related to a rental activity. Attach to each partner's Schedule K-1 (565) or Schedule K-1 NR (565) a schedule showing the amount to be reported and the applicable form on which the amount should be reported.

Line 14 – Other Credits

Enter on an attached schedule each partner's allocable share of any credit or credit information that is related to a trade or business activity.

Examples of credits that can be reported on line 14 are:

- enterprise zone hiring and sales and use tax credit — get form FTB 3805Z;
- jobs credit — get form FTB 3524;
- orphan drug credit carryover — get form FTB 3540;
- employer child care program/contribution credit — get form FTB 3501;
- program area hiring and sales and use tax credit — get form FTB 3805Z;
- Los Angeles revitalization zone hiring and sales and use tax credit — get form FTB 3806;
- research credit — get form FTB 3523;
- residential rental and farm sales credit carryover — get form FTB 3540;
- commercial solar electric system credit carryover — get form FTB 3540;
- prison inmate labor credit — get form FTB 3507;
- low-emission vehicles credit — contact the California Energy Commission for more information. Use credit code 160; and
- recycling equipment credit — get form FTB 3527.

You may also include on line 14 the distributive share of net income taxes paid to other states by the partnership. Subject to limitations of R&TC Sections 18001 and 18006, partners may claim a credit against their individual income tax for net income taxes paid by the partnership to another state. You must support the amount of tax paid with a schedule of the credits and the states paid and evidence of payment of the tax. Get Schedule S, Other State Tax Credit, for more information.

Adjustments and Tax Preference Items

Line 15a through

Line 15e — Enter each partner's distributive share of income and deductions that are preference items. Get Schedule P (540), Alternative Minimum Tax and Credit Limitations — Residents, Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents or Part-Year Residents, Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries, or Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations, to determine amounts and for other information.

For additional information, see federal instructions for Schedule K, Adjustments and Tax Preference Items, line 16a through line 16e.

Other

Line 16 — See the federal instructions for Schedule K-1 (1065), "Other," line 18 through line 22.

Line 20 — If the partnership income is from activities within and outside California, you must get and complete Schedule R, Apportionment and Allocation of Income, to determine the partnership income from California sources. Nonresident partners must report their share of income apportioned or allocated to California. Resident partners must report all of their share of the partnership's income. However, they may qualify for a credit for taxes paid to other states on income which is apportioned or allocated to a state other than California. Include information on Schedule K-1 NR (565), line 20 to enable nonresident partners to properly report their income.

Analysis

Line 21a through

Line 21b(2) — See the federal instructions for Schedule K (1065), line 23a and line 23b.

1994 Partnership Return of Income

565

MONTH	DAY	YEAR	MONTH	DAY	YEAR
For taxable or income year beginning			, and ending		
1994					

A Principal business activity name (same as federal)	Partnership name (place label within block or type or print)	D F.E.I.N.
	DBA	E Date business started
B Principal product or service (same as federal)	Number and street (or P.O. Box number if mail is not delivered to street address)	F Enter total assets at end of year. See instructions.
C Principal business code (same as federal)	City or town, state and ZIP code	\$
G Check accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (attach explanation)		H Secretary of State file number
		I Check applicable box <input type="checkbox"/> Initial return <input type="checkbox"/> Amended return <input type="checkbox"/> Final return

J Maximum number of partners in this partnership at any time during the taxable year ● K Is any member of the partnership related by blood or marriage to any other member? ● L Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ● M Are any partners in this partnership also partnerships or LLCs? N Does the partnership meet all the requirements shown in the instructions for Question N? O Is this partnership a partner in another partnership or LLC? P Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the taxable year? If "yes," see the federal instructions concerning an election to adjust the basis of the partnership's assets under IRC Section 754 ● Q Is this partnership a publicly traded partnership as defined in IRC Section 469(k)(2)? R Is this partnership under audit by the IRS or has it been audited in a prior year? ●	S Did ownership control of this partnership or any of its subsidiaries or affiliates change this taxable year? (Do not leave this question blank) ● (Ownership control changes each time one person or one entity obtains ownership or control of cumulatively more than 50% of the outstanding partnership interest.) T Is this partnership a limited partnership? If yes, see instructions and enter the minimum tax on line 23 ● U Is this partnership a real estate mortgage investment conduit (REMIC)? If yes, see line 23 below ● V (1) Does the partnership have any foreign partners? ● (2) Does the partnership have any nonresident partners? ● (3) Were Form 592, Form 592-A and Form 592-B filed for these partners? ● W Enter the ordinary income (loss) shown on federal Form 1065 for the same calendar or fiscal year (taxable year). Explain in a separate schedule any differences between federal ordinary income (loss) and the amount shown on line 22 ● \$_____
---	--

Caution: Include **only** trade or business income and expenses on line 1a through line 21 below. See the instructions for more information.

	1 a Gross receipts or sales \$_____ 1b Less returns and allowances \$_____ Balance	1c		
Income	2 Cost of goods sold (Schedule A, line 8)	2		
	3 Gross profit. Subtract line 2 from line 1c.	3		
	4 Ordinary income (loss) from other partnerships and fiduciaries. Attach schedule ●	4		
	5 Net farm profit (loss). Attach federal Schedule F (Form 1040) ●	5		
	6 Net gain (loss) from Schedule D-1, Part II, line 18 ●	6		
	7 Other income (loss). Attach schedule ●	7		
	8 TOTAL income (loss). Combine line 3 through line 7. ●	8		
	Deductions	9 Salaries and wages (other than to partners)	9	
10 Guaranteed payments to partners ●		10		
11 Repairs		11		
12 Bad debts ●		12		
13 Rent		13		
14 Taxes		14		
15 Deductible interest expense not claimed elsewhere on return		15		
16 a Depreciation and amortization. Attach form FTB 3885P \$_____ b Less depreciation reported on Schedule A and elsewhere on return \$_____ Balance		16c		
17 Depletion. Do not deduct oil and gas depletion		17		
18 Retirement plans, etc.		18		
19 Employee benefit programs		19		
20 Other deductions. Attach schedule ●		20		
21 TOTAL deductions. Add line 9 through line 20 ●		21		
22 Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8 ●	22			
23 Limited partnership tax — \$800.00 (limited partnerships and REMICs only). Make check payable to FTB ●	23			

Schedule A **Cost of Goods Sold**

1	Inventory at beginning of year	1		
2	Purchases less cost of items withdrawn for personal use	2		
3	Cost of labor.	3		
4	Additional IRC Section 263A costs. Attach schedule.	4		
5	Other costs. Attach schedule.	5		
6	Total. Add line 1 through line 5	6		
7	Inventory at end of year	7		
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Side 1, line 2	8		

9 a Check all methods used for valuing closing inventory:

(i) ☐ Cost (ii) ☐ Lower of cost or market as described in Treas. Reg. Section 1.471-4 (iii) ☐ Writedown of "subnormal" goods as described in Treas. Reg. Section 1.471-2(c) (iv) ☐ Other. Specify method used and attach explanation _____

b Check this box if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970 . . . ☐

c Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the partnership? ☐ Yes ☐ No

d Was there any change (other than for IRC Section 263A purposes) in determining quantities, cost, or valuations between opening and closing inventory? If "yes," attach explanation ☐ Yes ☐ No

Schedule L **Balance Sheets. See the instructions for Question N before completing Schedules L, M-1 and M-2.**

Assets	Beginning of taxable year		End of taxable year	
	(a)	(b)	(c)	(d)
1 Cash				
2 a Trade notes and accounts receivable				
b Less allowance for bad debts	()		()	
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities.				
6 Other current assets. Attach schedule.				
7 Mortgage and real estate loans				
8 Other investments. Attach schedule				
9 a Buildings and other depreciable assets				
b Less accumulated depreciation	()		()	
10 a Depletable assets				
b Less accumulated depletion	()		()	
11 Land (net of any amortization)				
12 a Intangible assets (amortizable only)				
b Less accumulated amortization.	()		()	
13 Other assets. Attach schedule				
14 Total assets				
Liabilities and Capital				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities. Attach schedule				
18 All nonrecourse loans.				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities. Attach schedule				
21 Partners' capital accounts				
22 Total liabilities and capital				

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Signature of general partner ►	Date	Telephone ()	
Paid Preparer's Use Only	Preparer's signature ►	Date	Check if self-employed ► <input type="checkbox"/>	Preparer's SSN/FEIN
	Firm's name (or yours, if self-employed) and address ►			FEIN ►
				Telephone ► ()

Schedule K Partners' Shares of Income, Deductions, Credits, Etc.

		(a) Distributive share items			(b) Total California amount		
Income (Loss)	1	Ordinary income (loss) from trade or business activities (Side 1, line 22)			1		
	2	Net income (loss) from rental real estate activities. Attach federal Form 8825			2		
	3	a	Gross income from other rental activities		3a		
		b	Less expenses. Attach schedule		3b		
		c	Net income (loss) from other rental activities. Subtract line 3b from line 3a		3c		
	4	Portfolio income (loss). See instructions:					
		a	Interest income		4a		
		b	Dividend income		4b		
		c	Royalty income		4c		
		d	Net capital gain (loss) (Schedule D (565))		4d		
		e	Other portfolio income (loss). Attach schedule		4e		
	5	Guaranteed payments to partners			5		
	6	Net gain (loss) under IRC Section 1231 (other than due to casualty or theft). Attach Schedule D-1			6		
7	Other income (loss). Attach schedule			7			
Deductions	8	a	Charitable contributions. See instructions. Attach schedule		8a		
		b	Political contributions		8b		
	9	Expense deduction for recovery property (R&TC Sections 17252.5, 17265 and 17266 and IRC Section 179). Attach schedule			9		
	10	Deductions related to portfolio income (do not include investment interest expense)			10		
	11	Other deductions. Attach schedule			11		
Investment Interest	12	a	Interest expense on investment debts		12a		
		b	(1) Investment income included on line 4a through line 4e above		12b(1)		
		(2)	Investment expenses included on line 10 above		12b(2)		
Credits	13	a	Credit for income tax withheld		13a		
		b	Low-income housing credit		13b		
		c	Credit(s) other than credits shown on line 13b related to rental real estate activities. Attach schedule		13c		
		d	Credit(s) related to other rental activities. See instructions. Attach schedule		13d		
	14	Other credits. See instructions. Attach schedule			14		
Adjustments and Tax Preference Items	15	a	Depreciation adjustment on property placed in service after 1986		15a		
		b	Adjusted gain or loss		15b		
		c	Depletion (other than oil and gas)		15c		
		d	(1) Gross income from oil, gas and geothermal properties		15d(1)		
		(2)	Deductions allocable to oil, gas and geothermal properties		15d(2)		
		e	Other adjustments and tax preference items. Attach schedule		15e		
Other	16	a	Total expenditures to which IRC Section 59(e) election may apply. Attach schedule		16a		
		b	Type of expenditures		16b		
	17	Tax-exempt interest income			17		
	18	Other tax-exempt income			18		
	19	Nondeductible expenses			19		
	20	Other items and amounts reported separately to partners. See instructions. Attach schedule			20		
Analysis	21	a	Total distributive income/payment items. Combine line 1 through line 7 above. From the result subtract the sum of line 8 through line 12a and line 16a			21	
		b	Analysis by type of partner:				
			(a) Corporate	(b) Individual	(c) Partnership	(d) Exempt Organization	(e) Nominee/ Other
				i. Active	ii. Passive		
	(1)	General partners					
	(2)	Limited partners					

Schedule M-1 Reconciliation of Income per Books With Income per Return. Use California Amounts.

1 Net income (loss) per books		6 Income recorded on books this year not included on Schedule K, line 1 through line 7. Itemize: a Tax-exempt interest \$	
2 Income included on Schedule K, line 1 through line 7, not recorded on books this year. Itemize			
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, line 1 through line 12a and line 16a, not charged against book income this year. Itemize: a Depreciation \$	
4 Expenses recorded on books this year not included on Schedule K, line 1 through line 12a and line 16a. Itemize: a Depreciation \$ b Travel and entertainment \$ c Limited partnership tax \$			
5 Total of line 1 through line 4		8 Total of line 6 and line 7	
		9 Income (loss) (Schedule K, line 21a). Subtract line 8 from line 5	

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year		6 Distributions: a Cash	
2 Capital contributed during year		b Property	
3 Net income (loss) per books		7 Other decreases. Itemize	
4 Other increases. Itemize			
		8 Total of line 6 and line 7	
5 Total of line 1 through line 4		9 Balance at end of year. Subtract line 8 from line 5	

1994 Partnership Return of Income

565

MONTH	DAY	YEAR	MONTH	DAY	YEAR
For taxable or income year beginning			, and ending		
A Principal business activity name (same as federal)			D F.E.I.N.		
B Principal product or service (same as federal)			E Date business started		
C Principal business code (same as federal)			F Enter total assets at end of year. See instructions.		
G Check accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (attach explanation)			H Secretary of State file number		
J Maximum number of partners in this partnership at any time during the taxable year ●			S Did ownership control of this partnership or any of its subsidiaries or affiliates change this taxable year? (Do not leave this question blank) ●		
K Is any member of the partnership related by blood or marriage to any other member? ●			T Is this partnership a limited partnership? If yes, see instructions and enter the minimum tax on line 23 ●		
L Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ●			U Is this partnership a real estate mortgage investment conduit (REMIC)? If yes, see line 23 below ●		
M Are any partners in this partnership also partnerships or LLCs?			V (1) Does the partnership have any foreign partners? ●		
N Does the partnership meet all the requirements shown in the instructions for Question N?			(2) Does the partnership have any nonresident partners? ●		
O Is this partnership a partner in another partnership or LLC?			(3) Were Form 592, Form 592-A and Form 592-B filed for these partners? ●		
P Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the taxable year? If "yes," see the federal instructions concerning an election to adjust the basis of the partnership's assets under IRC Section 754 ●			W Enter the ordinary income (loss) shown on federal Form 1065 for the same calendar or fiscal year (taxable year). Explain in a separate schedule any differences between federal ordinary income (loss) and the amount shown on line 22 ● \$		
Q Is this partnership a publicly traded partnership as defined in IRC Section 469(k)(2)?					
R Is this partnership under audit by the IRS or has it been audited in a prior year? ●					

Caution: Include **only** trade or business income and expenses on line 1a through line 21 below. See the instructions for more information.

Income	1	a Gross receipts or sales \$	1b	Less returns and allowances \$	Balance		
	2	Cost of goods sold (Schedule A, line 8)	2				
	3	Gross profit. Subtract line 2 from line 1c.	3				
	4	Ordinary income (loss) from other partnerships and fiduciaries. Attach schedule ●	4				
	5	Net farm profit (loss). Attach federal Schedule F (Form 1040) ●	5				
	6	Net gain (loss) from Schedule D-1, Part II, line 18 ●	6				
	7	Other income (loss). Attach schedule ●	7				
	8	TOTAL income (loss). Combine line 3 through line 7. ●	8				
Deductions	9	Salaries and wages (other than to partners)	9				
	10	Guaranteed payments to partners ●	10				
	11	Repairs	11				
	12	Bad debts ●	12				
	13	Rent	13				
	14	Taxes	14				
	15	Deductible interest expense not claimed elsewhere on return	15				
	16	a Depreciation and amortization. Attach form FTB 3885P \$	b	Less depreciation reported on Schedule A and elsewhere on return \$	Balance	16c	
	17	Depletion. Do not deduct oil and gas depletion	17				
	18	Retirement plans, etc.	18				
	19	Employee benefit programs	19				
	20	Other deductions. Attach schedule ●	20				
	21	TOTAL deductions. Add line 9 through line 20 ●	21				
	22 Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8 ●	22					
	23 Limited partnership tax — \$800.00 (limited partnerships and REMICs only). Make check payable to FTB ●	23					

Schedule A **Cost of Goods Sold**

1	Inventory at beginning of year	1		
2	Purchases less cost of items withdrawn for personal use	2		
3	Cost of labor.	3		
4	Additional IRC Section 263A costs. Attach schedule.	4		
5	Other costs. Attach schedule.	5		
6	Total. Add line 1 through line 5	6		
7	Inventory at end of year	7		
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Side 1, line 2	8		

9 a Check all methods used for valuing closing inventory:

(i) ☐ Cost (ii) ☐ Lower of cost or market as described in Treas. Reg. Section 1.471-4 (iii) ☐ Writedown of "subnormal" goods as described in Treas. Reg. Section 1.471-2(c) (iv) ☐ Other. Specify method used and attach explanation _____

b Check this box if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970 . . . ☐

c Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the partnership? ☐ Yes ☐ No

d Was there any change (other than for IRC Section 263A purposes) in determining quantities, cost, or valuations between opening and closing inventory? If "yes," attach explanation ☐ Yes ☐ No

Schedule L **Balance Sheets. See the instructions for Question N before completing Schedules L, M-1 and M-2.**

Assets	Beginning of taxable year		End of taxable year	
	(a)	(b)	(c)	(d)
1 Cash				
2 a Trade notes and accounts receivable				
b Less allowance for bad debts	()		()	
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities.				
6 Other current assets. Attach schedule.				
7 Mortgage and real estate loans				
8 Other investments. Attach schedule				
9 a Buildings and other depreciable assets				
b Less accumulated depreciation	()		()	
10 a Depletable assets				
b Less accumulated depletion	()		()	
11 Land (net of any amortization)				
12 a Intangible assets (amortizable only)				
b Less accumulated amortization.	()		()	
13 Other assets. Attach schedule				
14 Total assets				
Liabilities and Capital				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities. Attach schedule				
18 All nonrecourse loans.				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities. Attach schedule				
21 Partners' capital accounts				
22 Total liabilities and capital				

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Signature of general partner ►	Date	Telephone ()	
Paid Preparer's Use Only	Preparer's signature ►	Date	Check if self-employed ► <input type="checkbox"/>	Preparer's SSN/FEIN
	Firm's name (or yours, if self-employed) and address ►			FEIN ►
				Telephone ► ()

Schedule K Partners' Shares of Income, Deductions, Credits, Etc.

		(a) Distributive share items			(b) Total California amount		
Income (Loss)	1	Ordinary income (loss) from trade or business activities (Side 1, line 22)			1		
	2	Net income (loss) from rental real estate activities. Attach federal Form 8825			2		
	3	a	Gross income from other rental activities		3a		
		b	Less expenses. Attach schedule		3b		
		c	Net income (loss) from other rental activities. Subtract line 3b from line 3a		3c		
	4	Portfolio income (loss). See instructions:					
		a	Interest income		4a		
		b	Dividend income		4b		
		c	Royalty income		4c		
		d	Net capital gain (loss) (Schedule D (565))		4d		
		e	Other portfolio income (loss). Attach schedule		4e		
		5	Guaranteed payments to partners			5	
		6	Net gain (loss) under IRC Section 1231 (other than due to casualty or theft). Attach Schedule D-1			6	
	7	Other income (loss). Attach schedule			7		
Deductions	8	a	Charitable contributions. See instructions. Attach schedule		8a		
		b	Political contributions		8b		
	9	Expense deduction for recovery property (R&TC Sections 17252.5, 17265 and 17266 and IRC Section 179). Attach schedule			9		
	10	Deductions related to portfolio income (do not include investment interest expense)			10		
	11	Other deductions. Attach schedule			11		
Investment Interest	12	a	Interest expense on investment debts		12a		
		b	(1) Investment income included on line 4a through line 4e above		12b(1)		
		(2)	Investment expenses included on line 10 above		12b(2)		
Credits	13	a	Credit for income tax withheld		13a		
		b	Low-income housing credit		13b		
		c	Credit(s) other than credits shown on line 13b related to rental real estate activities. Attach schedule		13c		
		d	Credit(s) related to other rental activities. See instructions. Attach schedule		13d		
	14	Other credits. See instructions. Attach schedule			14		
Adjustments and Tax Preference Items	15	a	Depreciation adjustment on property placed in service after 1986		15a		
		b	Adjusted gain or loss		15b		
		c	Depletion (other than oil and gas)		15c		
		d	(1) Gross income from oil, gas and geothermal properties		15d(1)		
		(2)	Deductions allocable to oil, gas and geothermal properties		15d(2)		
		e	Other adjustments and tax preference items. Attach schedule		15e		
Other	16	a	Total expenditures to which IRC Section 59(e) election may apply. Attach schedule		16a		
		b	Type of expenditures		16b		
	17	Tax-exempt interest income			17		
	18	Other tax-exempt income			18		
	19	Nondeductible expenses			19		
	20	Other items and amounts reported separately to partners. See instructions. Attach schedule			20		
Analysis	21	a	Total distributive income/payment items. Combine line 1 through line 7 above. From the result subtract the sum of line 8 through line 12a and line 16a			21	
		b	Analysis by type of partner:				
			(a) Corporate	(b) Individual	(c) Partnership	(d) Exempt Organization	(e) Nominee/ Other
				i. Active	ii. Passive		
	(1)	General partners					
	(2)	Limited partners					

Schedule M-1 Reconciliation of Income per Books With Income per Return. Use California Amounts.

1 Net income (loss) per books		6 Income recorded on books this year not included on Schedule K, line 1 through line 7. Itemize:	
2 Income included on Schedule K, line 1 through line 7, not recorded on books this year. Itemize		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, line 1 through line 12a and line 16a, not charged against book income this year. Itemize:	
4 Expenses recorded on books this year not included on Schedule K, line 1 through line 12a and line 16a. Itemize:		a Depreciation \$	
a Depreciation \$			
b Travel and entertainment \$		8 Total of line 6 and line 7	
c Limited partnership tax \$		9 Income (loss) (Schedule K, line 21a). Subtract line 8 from line 5	
5 Total of line 1 through line 4			

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year		6 Distributions: a Cash	
2 Capital contributed during year		b Property	
3 Net income (loss) per books		7 Other decreases. Itemize	
4 Other increases. Itemize			
		8 Total of line 6 and line 7	
5 Total of line 1 through line 4		9 Balance at end of year. Subtract line 8 from line 5	

1994

Partner's Share of Income, Deductions, Credits, etc.

K-1 (565)

MONTH DAY YEAR	MONTH DAY YEAR												
For taxable or income year beginning	1994, and ending												
Partner's identifying number	Partnership's F.E.I.N.												
Partner's name, address, state and ZIP code	Partnership's name, address, state and ZIP code												
A Is this partner a: <input type="checkbox"/> general partner; or <input type="checkbox"/> limited partner? B Partner's share of liabilities: Nonrecourse \$ _____ Qualified nonrecourse financing \$ _____ Other \$ _____ C What type of entity is this partner? _____ D (1) Is this partner a foreign partner? <input type="checkbox"/> Yes <input type="checkbox"/> No (2) Is this partner a nonresident of California? <input type="checkbox"/> Yes <input type="checkbox"/> No If you answer yes to either D(1) or D(2) do not use this schedule. Use Schedule K-1 NR (565).													
E Enter partner's percentage of: <table style="width:100%; border: none;"> <tr> <td></td> <td style="text-align: right;">(i) Before decrease or termination</td> <td style="text-align: right;">(ii) End of year</td> </tr> <tr> <td>Profit sharing</td> <td style="text-align: right;">_____ %</td> <td style="text-align: right;">_____ %</td> </tr> <tr> <td>Loss sharing</td> <td style="text-align: right;">_____ %</td> <td style="text-align: right;">_____ %</td> </tr> <tr> <td>Ownership of capital</td> <td style="text-align: right;">_____ %</td> <td style="text-align: right;">_____ %</td> </tr> </table> F Check here if this partnership is a publicly traded partnership as defined in IRC Section 469(k)(2) <input type="checkbox"/> G Tax shelter registration number _____ H Check here if this is: <input type="checkbox"/> a final Schedule K-1 (565) <input type="checkbox"/> an amended Schedule K-1 (565)			(i) Before decrease or termination	(ii) End of year	Profit sharing	_____ %	_____ %	Loss sharing	_____ %	_____ %	Ownership of capital	_____ %	_____ %
	(i) Before decrease or termination	(ii) End of year											
Profit sharing	_____ %	_____ %											
Loss sharing	_____ %	_____ %											
Ownership of capital	_____ %	_____ %											

I Analysis of partner's capital account:				
(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of line 3, line 4 and line 7 Form 565, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine column (a) through column (d))
			()	

J Analysis of partner's tax basis:					
(a) Basis at beginning of year	(b) Total of column (e), California amount, lines 1 through 12 (except line 5) and lines 17 through 19	(c) Other increases during the year	(d) Other decreases during the year	(e) Withdrawals and distributions	(f) Basis at end of year
				()	

Caution: Refer to Partner's Instructions for federal Schedule K-1 (1065) before entering information from this schedule on your tax return.

	(a) Distributive share item	(b) Amount from federal Schedule K-1 (1065)	(c) California adjustments	(d)	(e) California amount (combine column (b) and column (c))
Income (Loss)	1 Ordinary income (loss) from trade or business activities				
	2 Net income (loss) from rental real estate activities				
	3 Net income (loss) from other rental activities				
	4 Portfolio income (loss):				
	a Interest				
	b Dividends				
	c Royalties				
	d Net capital gain (loss)				
	e Other portfolio income (loss). Attach schedule				
	5 Guaranteed payments to partners				
Deductions	6 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft)				
	7 Other income (loss). Attach schedule				
	8 a Charitable contributions				
	b Political contributions				
	9 Expense deduction for recovery property (R&TC Sections 17252.5, 17265 and 17266 and IRC Section 179). Attach schedule				
	10 Deductions related to portfolio income. Attach schedule				
	11 Other deductions. Attach schedule				

Side 2 Schedule K-1 (565) 1994

MONTH		DAY	YEAR	MONTH		DAY	YEAR
For taxable or income year beginning			1994	, and ending			
Partner's identifying number				Partnership's F.E.I.N.			
Partner's name, address, state and ZIP code				Partnership's name, address, state and ZIP code			
A Is this partner a: <input type="checkbox"/> general partner; or <input type="checkbox"/> limited partner? B Partner's share of liabilities: Nonrecourse \$ _____ Qualified nonrecourse financing \$ _____ Other \$ _____ C What type of entity is this partner? _____ D (1) Is this partner a foreign partner? <input type="checkbox"/> Yes <input type="checkbox"/> No (2) Is this partner a nonresident of California? <input type="checkbox"/> Yes <input type="checkbox"/> No If you answer yes to either D(1) or D(2) do not use this schedule. Use Schedule K-1 NR (565).				E Enter partner's percentage of: (i) Before decrease (ii) End of year or termination Profit sharing _____ % _____ % Loss sharing _____ % _____ % Ownership of capital _____ % _____ % F Check here if this partnership is a publicly traded partnership as defined in IRC Section 469(k)(2) <input type="checkbox"/> G Tax shelter registration number _____ H Check here if this is: <input type="checkbox"/> a final Schedule K-1 (565) <input type="checkbox"/> an amended Schedule K-1 (565)			

I Analysis of partner's capital account:				
(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of line 3, line 4 and line 7 Form 565, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine column (a) through column (d))
			()	

J Analysis of partner's tax basis:					
(a) Basis at beginning of year	(b) Total of column (e), California amount, lines 1 through 12 (except line 5) and lines 17 through 19	(c) Other increases during the year	(d) Other decreases during the year	(e) Withdrawals and distributions	(f) Basis at end of year
				()	

Caution: Refer to Partner's Instructions for federal Schedule K-1 (1065) before entering information from this schedule on your tax return.

	(a) Distributive share item	(b) Amount from federal Schedule K-1 (1065)	(c) California adjustments	(d)	(e) California amount (combine column (b) and column (c))
Income (Loss)	1 Ordinary income (loss) from trade or business activities . .				
	2 Net income (loss) from rental real estate activities				
	3 Net income (loss) from other rental activities				
	4 Portfolio income (loss):				
	a Interest				
	b Dividends.				
	c Royalties				
	d Net capital gain (loss).				
	e Other portfolio income (loss). Attach schedule				
	5 Guaranteed payments to partners.				
Deductions	6 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft)				
	7 Other income (loss). Attach schedule				
	8 a Charitable contributions				
	b Political contributions				
	9 Expense deduction for recovery property (R&TC Sections 17252.5, 17265 and 17266 and IRC Section 179). Attach schedule				
	10 Deductions related to portfolio income. Attach schedule . .				
	11 Other deductions. Attach schedule.				

Side 2 Schedule K-1 (565) 1994

1994

Nonresident Partner's Share of Income, Deductions, Credits, etc.

K-1 NR (565)

MONTH DAY YEAR	MONTH DAY YEAR
For taxable or income year beginning	1994, and ending
Partner's identifying number	Partnership's F.E.I.N.
Partner's name, address, state and ZIP code	Partnership's name, address, state and ZIP code
A Is this partner a: <input type="checkbox"/> general partner; or <input type="checkbox"/> limited partner? B Partner's share of liabilities: Nonrecourse \$ _____ Qualified nonrecourse financing \$ _____ Other \$ _____ C What type of entity is this partner? _____ D (1) Is this partner a foreign partner? <input type="checkbox"/> Yes <input type="checkbox"/> No (2) Is this partner a nonresident of California? <input type="checkbox"/> Yes <input type="checkbox"/> No	
E Enter partner's percentage of: (i) Before decrease or termination (ii) End of year Profit sharing _____ % _____ % Loss sharing _____ % _____ % Ownership of capital _____ % _____ % F Check here if this partnership is a publicly traded partnership as defined in IRC Section 469(k)(2) <input type="checkbox"/> G Tax shelter registration number _____ H Check here if this is: <input type="checkbox"/> a final Schedule K-1 NR (565) <input type="checkbox"/> an amended Schedule K-1 NR (565)	

I Analysis of partner's capital account:				
(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of line 3, line 4 and line 7 Form 565, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine column (a) through column (d))
			()	

J Analysis of partner's tax basis:					
(a) Basis at beginning of year	(b) Total of column (e), California amount, lines 1 through 12 (except line 5) and lines 17 through 19	(c) Other increases during the year	(d) Other decreases during the year	(e) Withdrawals and distributions	(f) Basis at end of year
				()	

Caution: Refer to Partner's Instructions for federal Schedule K-1 (1065) before entering information from this schedule on your tax return.

	(a) Distributive share item	(b) Amount from federal Schedule K-1 (1065)	(c) Adjustments	(d) Total amounts using California law	(e) California amounts
Income (Loss)	1 Ordinary income (loss) from trade or business activities				
	2 Net income (loss) from rental real estate activities				
	3 Net income (loss) from other rental activities				
	4 Portfolio income (loss):				
	a Interest				
	b Dividends.				
	c Royalties				
	d Net capital gain (loss).				
	e Other portfolio income (loss). Attach schedule				
	5 Guaranteed payments to partners				
Deductions	6 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft)				
	7 Other income (loss). Attach schedule				
	8 a Charitable contributions				
	b Political contributions				
	9 Expense deduction for recovery property (R&TC Sections 17252.5, 17265 and 17266 and IRC Section 179). Attach schedule				
	10 Deductions related to portfolio income. Attach schedule				
	11 Other deductions. Attach schedule.				

	(a) Distributive share item	(b) Amount from federal Schedule K-1 (1065)	(c) Adjustments	(d) Total amounts using California law	(e) California amounts
Investment Interest	12 a Interest expense on investment debts				
	b (1) Investment income included on lines 4a through 4e				
	(2) Investment expenses included on line 10				
Credits	13 a Credit for income tax withheld				
	b Low-income housing credit				
	c Credits other than line 13b related to rental real estate activities. Attach schedule				
	d Credits related to other rental activities. See instructions. Attach schedule				
	14 Other credits. Attach required schedules or statements . .				
Adjustments and Tax Preference Items	15 a Depreciation adjustment on property placed in service after 1986				
	b Adjusted gain or loss				
	c Depletion (other than oil and gas)				
	d (1) Gross income from oil, gas and geothermal properties				
	(2) Deductions allocable to oil, gas and geothermal properties.				
	e Other adjustments and tax preference items. Attach schedule				
Other	16 a Total expenditures to which an IRC Section 59(e) election may apply				
	b Type of expenditures _____				
	17 Tax-exempt interest income				
	18 Other tax-exempt income				
	19 Nondeductible expenses				
	20 Supplemental information required to be reported separately to each partner. Attach additional schedules if more space is needed:				

1994

Nonresident Partner's Share of Income,
Deductions, Credits, etc.

K-1 NR (565)

MONTH DAY YEAR	MONTH DAY YEAR
For taxable or income year beginning	1994, and ending
Partner's identifying number	Partnership's F.E.I.N.
Partner's name, address, state and ZIP code	Partnership's name, address, state and ZIP code
A Is this partner a: <input type="checkbox"/> general partner; or <input type="checkbox"/> limited partner? B Partner's share of liabilities: Nonrecourse \$ _____ Qualified nonrecourse financing \$ _____ Other \$ _____ C What type of entity is this partner? _____ D (1) Is this partner a foreign partner? <input type="checkbox"/> Yes <input type="checkbox"/> No (2) Is this partner a nonresident of California? <input type="checkbox"/> Yes <input type="checkbox"/> No	
E Enter partner's percentage of: (i) Before decrease or termination (ii) End of year Profit sharing _____ % _____ % Loss sharing _____ % _____ % Ownership of capital _____ % _____ % F Check here if this partnership is a publicly traded partnership as defined in IRC Section 469(k)(2) <input type="checkbox"/> G Tax shelter registration number _____ H Check here if this is: <input type="checkbox"/> a final Schedule K-1 NR (565) <input type="checkbox"/> an amended Schedule K-1 NR (565)	

I Analysis of partner's capital account:					
(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of line 3, line 4 and line 7 Form 565, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine column (a) through column (d))	
			()		
J Analysis of partner's tax basis:					
(a) Basis at beginning of year	(b) Total of column (e), California amount, lines 1 through 12 (except line 5) and lines 17 through 19	(c) Other increases during the year	(d) Other decreases during the year	(e) Withdrawals and distributions	(f) Basis at end of year
				()	

Caution: Refer to Partner's Instructions for federal Schedule K-1 (1065) before entering information from this schedule on your tax return.

	(a) Distributive share item	(b) Amount from federal Schedule K-1 (1065)	(c) Adjustments	(d) Total amounts using California law	(e) California amounts
Income (Loss)	1 Ordinary income (loss) from trade or business activities				
	2 Net income (loss) from rental real estate activities				
	3 Net income (loss) from other rental activities				
	4 Portfolio income (loss):				
	a Interest				
	b Dividends.				
	c Royalties				
	d Net capital gain (loss).				
	e Other portfolio income (loss). Attach schedule				
	5 Guaranteed payments to partners				
6 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft)					
7 Other income (loss). Attach schedule					
Deductions	8 a Charitable contributions				
	b Political contributions				
	9 Expense deduction for recovery property (R&TC Sections 17252.5, 17265 and 17266 and IRC Section 179). Attach schedule				
	10 Deductions related to portfolio income. Attach schedule				
	11 Other deductions. Attach schedule.				

	(a) Distributions share item	(b) Amount from federal Schedule K-1 (1065)	(c) Adjustments	(d) Total amounts using California law	(e) California amounts
Investment Interest	12 a Interest expense on investment debts				
	b (1) Investment income included on lines 4a through 4e				
	(2) Investment expenses included on line 10				
Credits	13 a Credit for income tax withheld				
	b Low-income housing credit				
	c Credits other than line 13b related to rental real estate activities. Attach schedule				
	d Credits related to other rental activities. See instructions. Attach schedule				
	14 Other credits. Attach required schedules or statements . .				
Adjustments and Tax Preference Items	15 a Depreciation adjustment on property placed in service after 1986				
	b Adjusted gain or loss				
	c Depletion (other than oil and gas)				
	d (1) Gross income from oil, gas and geothermal properties				
	(2) Deductions allocable to oil, gas and geothermal properties.				
	e Other adjustments and tax preference items. Attach schedule				
Other	16 a Total expenditures to which an IRC Section 59(e) election may apply				
	b Type of expenditures _____				
	17 Tax-exempt interest income				
	18 Other tax-exempt income				
	19 Nondeductible expenses				
	20 Supplemental information required to be reported separately to each partner. Attach additional schedules if more space is needed:				

1994 Depreciation and Amortization

3885P

Name as shown on return							Federal employer identification number			
Assets placed in service before 1/1/87 (depreciation): Property placed in service before 1/1/94 (amortization):				Depreciation of Assets			Amortization of Property			
1	(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Dep'n or Amortiz'n allowed or allowable in earlier years	(e) Method of figuring depreciation	(f) Life or rate	(g) Depreciation for this year	(h) Code section	(i) Period or percentage	(j) Amortization for this year
Enter line 1, column (g) and column (j) totals here										
Depreciation										
2 California depreciation for assets placed in service on or after January 1, 1987. See instructions and enter the amount from line 3 of the worksheet in the instructions										2
Note: Be sure to make adjustments for any basis differences.										
3 Total California depreciation. Add line 1(g) and line 2										3
Amortization										
4 Total California amortization. Add line 1(j) and the total amount from federal Form 4562, Part VI, line 39, column (f)										4
Note: Be sure to make adjustments for any basis differences.										
5 Total depreciation and amortization. Add line 3 and line 4. Enter the total here and on Form 565, Side 1, line 16a, if from a trade or business, or on federal Form 8825, line 14, if from rental real estate activities										5

1994 Capital Gain or Loss

D (565)

Name as shown on return				Federal employer identification number		
1	(a) Description of property (Example, 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sale price. See instructions.	(e) Cost or other basis. See instructions.	(f) Gain (loss) ((d) minus (e))
2	Capital gain from installment sales from form FTB 3805E, line 26 or line 37					2
3	Partnership's share of net capital gain (loss), including gains (losses) from other partnerships, fiduciaries and S corporations					3
4	Capital gain distributions					4
5	Net capital gain (loss) from line 1, line 2, line 3 and line 4. Enter each partner's share on Schedule K-1 (565) or Schedule K-1 NR (565) line 4d					5

Instructions for Form FTB 3885P

Depreciation and Amortization

General Information

A Purpose of Form

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. However, land and goodwill are not depreciable.

Amortization is similar to the straight-line method of depreciation in that an annual deduction is allowed to recover certain costs over a fixed period of time.

In general, California law follows federal law for assets placed in service on or after January 1, 1987.

Use form FTB 3885P to compute depreciation and amortization allowed as a deduction on Form 565. Attach form FTB 3885P to Form 565.

B Calculation Methods

California did not allow depreciation under the federal ACRS for years prior to 1987.

The partnership must continue calculating the California depreciation deduction for assets placed in service before January 1, 1987 in the same manner as in prior years. Refer to the partnership's tax returns for 1986 and earlier to determine how the partnership must continue depreciating these assets. The most common methods used to calculate depreciation for years prior to 1987 were:

- straight-line;
- declining balance; and
- sum-of-the-years digits.

Specific Line Instructions

Line 1 – California depreciation for assets placed in service before January 1, 1987 and amortization for assets and property placed in service before January 1, 1994

Complete columns (a) through (j) for each asset or group of assets for property placed in service before January 1, 1987 for depreciation and before January 1, 1994 for amortization. Enter the column (g) totals on line 1(g). Enter the column (j) totals on line 1(j).

Line 2 – California Depreciation for Assets Placed in Service on or after January 1, 1987

Complete the following worksheet to compute the amount to enter on line 2:

1. Amount from federal Form 4562, Part II and III, lines 14 through 19 . _____
2. Amount from federal Form 4562, lines 16, 17, 18 and 19, to the extent applicable to assets acquired before January 1, 1987 _____
3. Subtract line 2 from line 1, enter amount on form FTB 3885P, line 2. _____

Assets with a Federal Basis Different from California Basis

Some assets placed in service on or after January 1, 1987, will have a different adjusted basis for California purposes due to the credits claimed or accelerated write-offs of the assets. Review the list of depreciation and amortization items in the Other Adjustments section of the instructions for Schedule CA (540), California Adjustments — Residents, and Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents. If the partnership has any other adjustments to make, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information.

Line 5 – Total Depreciation and Amortization

Add line 3 and line 4. Enter the total on line 5 and on Form 565, line 16a.

If depreciation or amortization is from rental real estate activities, it may be necessary to complete another form FTB 3885P. In this case, enter the amount from this second form FTB 3885P, line 5 on federal Form 8825, line 14. Use California amounts to determine the depreciation or amortization on federal Form 8825.

Instructions for Schedule D (565)

Capital Gain or Loss

General Information

Use Schedule D (565) to report the sale or exchange of capital assets, except capital gains (losses) that are specially allocated to any partners.

Enter specially allocated capital gains (losses) received by the partnership as a partner in other partnerships and from fiduciaries on Schedule D (565), line 3. Enter

capital gains (losses) that are specially allocated to partners on line 4d of Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565). Do not include these amounts on Schedule D (565). See the instructions for Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565) for more information. Also refer to the instructions for federal Schedule D (1065).

1994 Depreciation and Amortization

3885P

Name as shown on return							Federal employer identification number			
Assets placed in service before 1/1/87 (depreciation): Property placed in service before 1/1/94 (amortization):				Depreciation of Assets			Amortization of Property			
1	(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Dep'n or Amortiz'n allowed or allowable in earlier years	(e) Method of figuring depreciation	(f) Life or rate	(g) Depreciation for this year	(h) Code section	(i) Period or percentage	(j) Amortization for this year
Enter line 1, column (g) and column (j) totals here										
Depreciation										
2 California depreciation for assets placed in service on or after January 1, 1987. See instructions and enter the amount from line 3 of the worksheet in the instructions										2
Note: Be sure to make adjustments for any basis differences.										
3 Total California depreciation. Add line 1(g) and line 2										3
Amortization										
4 Total California amortization. Add line 1(j) and the total amount from federal Form 4562, Part VI, line 39, column (f)										4
Note: Be sure to make adjustments for any basis differences.										
5 Total depreciation and amortization. Add line 3 and line 4. Enter the total here and on Form 565, Side 1, line 16a, if from a trade or business, or on federal Form 8825, line 14, if from rental real estate activities										5

1994 Capital Gain or Loss

D (565)

[illegible]

Instructions for Form FTB 3885P

Depreciation and Amortization

General Information

A Purpose of Form

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. However, land and goodwill are not depreciable.

Amortization is similar to the straight-line method of depreciation in that an annual deduction is allowed to recover certain costs over a fixed period of time.

In general, California law follows federal law for assets placed in service on or after January 1, 1987.

Use form FTB 3885P to compute depreciation and amortization allowed as a deduction on Form 565. Attach form FTB 3885P to Form 565.

B Calculation Methods

California did not allow depreciation under the federal ACRS for years prior to 1987.

The partnership must continue calculating the California depreciation deduction for assets placed in service before January 1, 1987 in the same manner as in prior years. Refer to the partnership's tax returns for 1986 and earlier to determine how the partnership must continue depreciating these assets. The most common methods used to calculate depreciation for years prior to 1987 were:

- straight-line;
- declining balance; and
- sum-of-the-years digits.

Specific Line Instructions

Line 1 – California depreciation for assets placed in service before January 1, 1987 and amortization for assets and property placed in service before January 1, 1994

Complete columns (a) through (j) for each asset or group of assets for property placed in service before January 1, 1987 for depreciation and before January 1, 1994 for amortization. Enter the column (g) totals on line 1(g). Enter the column (j) totals on line 1(j).

Line 2 – California Depreciation for Assets Placed in Service on or after January 1, 1987

Complete the following worksheet to compute the amount to enter on line 2:

1. Amount from federal Form 4562, Part II and III, lines 14 through 19
2. Amount from federal Form 4562, lines 16, 17, 18 and 19, to the extent applicable to assets acquired before January 1, 1987
3. Subtract line 2 from line 1, enter amount on form FTB 3885P, line 2.

Assets with a Federal Basis Different from California Basis

Some assets placed in service on or after January 1, 1987, will have a different adjusted basis for California purposes due to the credits claimed or accelerated write-offs of the assets. Review the list of depreciation and amortization items in the Other Adjustments section of the instructions for Schedule CA (540), California Adjustments — Residents, and Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents. If the partnership has any other adjustments to make, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information.

Line 5 – Total Depreciation and Amortization

Add line 3 and line 4. Enter the total on line 5 and on Form 565, line 16a.

If depreciation or amortization is from rental real estate activities, it may be necessary to complete another form FTB 3885P. In this case, enter the amount from this second form FTB 3885P, line 5 on federal Form 8825, line 14. Use California amounts to determine the depreciation or amortization on federal Form 8825.

Instructions for Schedule D (565)

Capital Gain or Loss

General Information

Use Schedule D (565) to report the sale or exchange of capital assets, except capital gains (losses) that are specially allocated to any partners.

Enter specially allocated capital gains (losses) received by the partnership as a partner in other partnerships and from fiduciaries on Schedule D (565), line 3. Enter

capital gains (losses) that are specially allocated to partners on line 4d of Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565). Do not include these amounts on Schedule D (565). See the instructions for Schedule K (565) and Schedule K-1 (565) or Schedule K-1 NR (565) for more information. Also refer to the instructions for federal Schedule D (1065).

Partner's Instruction for Schedule K-1 (565) and Schedule K-1 NR (565)

General Information

A Purpose of Schedule K-1 (565) and Schedule K-1 NR (565)

The partnership uses Schedule K-1 (565) and Schedule K-1 NR (565) to report to you your share of the partnership's income, deductions, credits, etc. Please keep it for your records. Do not file it with your tax return. A copy has been filed with the FTB by the partnership.

Although the partnership is not subject to income tax, you are subject to tax on your share of the partnership income, whether or not distributed.

The amount of loss and deduction that you may claim on your tax return may be less than the amount reported on Schedule K-1 (565) or Schedule K-1 NR (565). Generally, the amount of loss and deduction you may claim is limited to your basis in the partnership and the amount for which you are considered at-risk. If you have losses, deductions or credits from a passive activity, you must also apply the passive activity rules. It is the partner's responsibility to consider and apply any applicable limitations. See General Line Instruction A, Limitations on Losses, Deductions and Credits.

You should read the federal Schedule K-1 (1065) instructions before completing your tax return with this Schedule K-1 (565) and Schedule K-1 NR (565) information.

B Definitions

General Partner

A general partner is a member of the organization who is personally liable for partnership debts.

Limited Partner

A limited partner is one whose potential personal liability for partnership debts is limited to the amount of money or other property that the partner contributed or is required to contribute to the partnership.

Nonrecourse Loans

Nonrecourse loans are those liabilities of the partnership for which none of the partners has any personal liability.

Corporate Partners

Corporate partners of partnerships doing business in California are considered to be doing business in California and are therefore subject to the corporate franchise tax.

Elections

Generally, the partnership decides how to figure taxable income from its operations. For example, it chooses the accounting method and depreciation methods it will use. However, certain elections are made by you separately on your individual income tax return and not by the partnership. These elections are made under the following federal IRC sections, to which California conforms:

- IRC Section 108(b)(5) (income from discharge of indebtedness); and
- IRC Section 617 (deduction and recapture of certain mining exploration expenditures, paid or incurred).

Additional Information

For more information on the treatment of partnership income, deductions, credits, etc., get the following federal publications: Publication 541, Tax Information on Partnerships, and Publication 535, Business Expenses.

C Specific Instructions

Name, Address and Identifying Number

Enter your name, address and identifying number, as well as the partnership's name, address and identifying number.

Questions A through D and Items E through H

The questions and items at the top of Schedule K-1 (565) and Schedule K-1 NR (565) are completed by the partnership for all partners. For more information, see the federal instructions for Schedule K-1 (1065).

Schedule K-1 (565) and Schedule K-1 NR (565)

If you are an individual partner, the amounts in column (c), California adjustments, that are from nonpassive activities must be reported on the appropriate California form or schedule; i.e., Schedule D, Schedule D-1, or Schedule CA (540 or 540NR).

Amounts in column (e), California amount, that are from passive activities must be reported on form FTB 3801, Passive Activity Loss Limitations, and the related worksheets that are used to figure any passive loss limitations.

If you are not an individual partner, report the amounts as instructed on your tax return.

If you have losses, deductions, credits, etc., from a prior year that were not deductible or usable because of certain limitations, such as the at-risk rules, they may be taken into account in determining your net income, loss, etc., for this year. However, do not combine the prior-year amounts with any amounts shown on this Schedule K-1 (565) or Schedule K-1 NR (565) to get a net figure to report on any supporting schedules, statements or forms attached to your return. Instead, report the amounts on an attached schedule, statement or form on a year-by-year basis. See the federal instructions for Schedule K-1 (1065), At-Risk Rules, for more information.

General Line Instructions

Line 1 through Line 3

– The amounts shown on line 1 through line 3 reflect your share of income or loss from partnership business or rental operations without reference to limitations on losses or adjustments that may be required of you because of:

- the adjusted basis of your partnership interest;
- the amount for which you are at-risk as determined under IRC Section 465; or
- the passive activity limitations of IRC Section 469.

See the federal instructions for line 1 through line 23 for more information. **Note:** Federal line 15a through line 15c and line 17a through line 17g do not apply to California.

A Limitations on Losses, Deductions and Credits

There are three separate potential limitations on the amount of partnership losses that you may deduct on your return. These limitations and the order in which they must be applied are: the basis rules, the at-risk rules and the passive loss rules. Each of these limitations is discussed separately below.

Note: Other limitations may apply to specific deductions; for example, the investment interest expense deduction. These limitations on specific deductions generally apply before the basis, at-risk and passive loss limitations.

Basis Rules

Generally, you may not claim your share of a partnership loss (including a capital loss) that is greater than the adjusted basis of your partnership interest at the end of the partnership's taxable year.

You can compute the adjusted basis of your partnership interest by adding items which increase your basis and then subtracting items which decrease your basis.

Items that increase your basis are:

- money and your adjusted basis of property contributed to the partnership;
- your share of the partnership's income; and
- your share of the increase in the liabilities of the partnership (or your individual liabilities caused by your assumption of partnership liabilities).

Items that decrease your basis are:

- money and your adjusted basis of property distributed to you;
- your share of the partnership's losses; and
- your share of the decrease in the liabilities of the partnership (or your individual liabilities assumed by the partnership).

This is not a complete list of items and factors that determine basis. Get federal Publication 541 for a complete discussion of how to determine the adjusted basis of your partnership interest.

Generally, the California basis is the same as the federal basis.

At-Risk Rules

Generally, if you have: (1) a loss or other deduction from an activity carried on as a trade or business or for the production of income by the partnership; and (2) amounts in the activity for which you are not at-risk, you will have to complete federal Form 6198, At-Risk Limitations, to figure the allowable loss to report on your return. Complete federal Form 6198 using California amounts.

The at-risk rules generally limit the amount of loss, (including loss on disposition of assets) and other deductions (such as the IRC Section 179, R&TC Sections 17252, 17265 and 17266 deduction) that you can claim to the amount you could actually lose in the activity. See the federal instructions for Schedule K-1 (1065), At-Risk Rules, for more information.

Passive Loss Rules

IRC Section 469 limits the deduction of certain losses and credits. California law is the same as this federal provision. These rules apply to partners who:

- are individuals, estates, trusts, closely held corporations, personal service corporations or S corporations; and

- have a passive activity loss or credit for the taxable year.

A passive activity is generally a trade or business activity in which the partner does not materially participate or a rental activity. A partnership may have more than one activity. Each partner must apply the passive activity loss limitations on an activity by activity basis.

Individuals, estates and trusts must complete form FTB 3801, Passive Activity Loss Limitations, to figure the allowable passive losses, and form FTB 3801-CR, Passive Activity Credit Limitations, to figure the allowable passive credits. Corporations must complete form FTB 3802, Corporate Passive Activity Loss and Credit Limitations.

The amounts reported on line 1 and line 14 of Schedule K-1 (565) and Schedule K-1 NR (565) are passive activity income (loss) or credits from the trade or business of the partnership if you are a limited partner, or if you are a general partner who did not materially participate in the trade or business activities of the partnership. The amounts reported on line 2, line 3 and line 13b of Schedule K-1 (565) and Schedule K-1 NR (565) are from rental activities of the partnership and are passive activity income (loss) or credits to all partners. There is an exception to this rule for losses incurred by qualified investors in qualified low-income housing projects. The partnership will identify any of these qualified amounts on an attachment for line 2.

See the federal instructions for Schedule K-1 (1065), Passive Activity Limitations, for more information.

Specific Line Instructions

A Income

Line 1 – Ordinary Income (Loss) from Trade or Business Activities

The amount reported on line 1, column (e), is your share of the ordinary income (loss) from the trade or business activities of the partnership. For individual partners, generally, where you report this amount on Form 540 or Form 540NR depends on whether or not the amount is from an activity that is a passive activity to you.

If, in addition to this passive activity income, you have a passive activity loss from this partnership or from any other source, report the income on, form FTB 3801, line 1, column (d). If a loss is reported on line 1, column (e), report the loss on the applicable line of form FTB 3801, to determine how much of the loss is allowable.

Note: If the partnership income is from activities within and outside California, the amount of income a nonresident or corporate partner must report on their income tax return is a function of the partnership's allocation and apportionment percentage. Reporting instructions are included in the information provided by the partnership. See also 18 Cal. Code Reg. Sections 17951-4 and 25137-1 for more information.

Line 2 – Income (Loss) from Rental Real Estate Activities

Generally, the income (loss) reported on line 2, column (e), is a passive activity amount to all partners. There is an exception, however, for losses from a qualified low-income housing project. The loss limitations of IRC Section 469 do not apply to qualified investors in qualified

low-income housing projects. If applicable, the partnership will attach a schedule for line 2 to identify such amounts. You will have to report the California adjustment amount from column (c) on Schedule CA (540 or 540NR).

Use the following instructions to determine where to enter a line 2 amount.

- If you have a loss on line 2, column (e) (other than a qualified low-income housing project loss), enter the loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable. Your share of the loss may be eligible for the special \$25,000 allowance for rental real estate losses. Get the instructions for form FTB 3801 for more information.

See the federal Specific Line Instructions for line 2, item 1 and item 2 for more information.

Note: If you are a qualified investor reporting a qualified low-income housing project loss, report the California adjustment amount from column (c) on Schedule CA (540 or 540NR).

- If you have only income on line 2, column (e), and no other passive losses, enter the California adjustment amount from column (c) on Schedule CA (540 or 540NR). However, if in addition to this passive activity income, you have a passive activity loss from this partnership or from any other source, report the line 2, column (e), income on the applicable line of form FTB 3801.

Line 3 – Income or Loss from Other Rental Activities

The amount on line 3, column (e) is a passive activity amount for all partners.

- If line 3, column (e) is a loss, report the loss on the applicable line of form FTB 3801.
- If only income is reported on line 3, column (e), and you have no other passive losses, report the California adjustment from column (c) on Schedule CA (540 or 540NR). However, if in addition to this passive activity income, you have a passive activity loss from this partnership or from any other source, report the line 3 income on the applicable line of form FTB 3801.

Line 4a
through

Line 4e – Portfolio Income (Loss)

Portfolio income or (loss) referred to as “portfolio” in these instructions is not subject to the passive activity limitations of IRC Section 469. Portfolio income includes interest, dividend and royalty income and gain or loss on the sale of property held for investment. If you have amounts on Schedule K-1 (565) or Schedule K-1 NR (565), line 4a through line 4e, report these amounts as follows:

- Line 4a, column (c) — Report on Schedule CA (540 or 540NR), line 8, column B or line 8, column C, whichever is applicable;
- Line 4b, column (c) — Report on Schedule CA (540 or 540NR), line 9, column B or line 9, column C, whichever is applicable;
- Line 4c, column (c) — Report on Schedule CA (540 or 540NR), line 17, column B or line 17, column C, whichever is applicable;
- Line 4d, column (e) — Report on Schedule D; and

- Line 4e, column (e) — Report on applicable schedule.

Caution: Generally, amounts reported on line 4d and line 4e are gains or losses attributable to the disposition of property held for investment and are, therefore, classified as portfolio income (loss). If, however, an amount reported on line 4d or line 4e, column (e) is a passive activity amount, the partnership will identify the amount.

The partnership uses line 4e, column (e), to report portfolio income other than interest, dividend, royalty and capital gain (loss) income. The partnership will attach a schedule or use the space provided on Side 2 of Schedule K-1 (565) or Schedule K-1 NR (565) to tell you what kind of portfolio income is reported on line 4e, column (e). An example of portfolio income that could be reported on line 4e, column (e), is from a real estate mortgage investment conduit (REMIC) in which the partnership is a residual interest holder.

If the partnership has a residual interest in a REMIC, it will report on the schedule your share of REMIC taxable income (net loss). Report the adjustment amount from column (c) on Schedule CA (540 or 540NR). The partnership will also report your share of “excess inclusion” and your share of IRC Section 212 expenses. If you itemized your deductions on federal Schedule A (1040), you may deduct these IRC Section 212 expenses as a miscellaneous deduction subject to the 2 percent adjusted gross income limit and the high income taxpayer adjustment.

Line 5 – Guaranteed Payments to Partners

Generally, amounts on this line are not part of a passive activity. If there is an amount on Schedule K-1 (565) or Schedule K-1 NR (565), line 5, column (c), enter this amount on Schedule CA (540 or 540NR), line 21, column B or line 21, column C, whichever is applicable.

Line 6 – Net Gain (Loss) Under IRC Section 1231 (Other Than Due to Casualty or Theft)

If the amount on line 6 relates to rental activity, the IRC Section 1231 gain (loss) is a passive activity amount. If the amount relates to a trade or business activity and you are a limited partner, the IRC Section 1231 gain (loss) is a passive activity amount.

- If the amount is not a passive activity amount to you, report it on Schedule D-1, Sales of Business Property, line 2, column (g) or column (h), whichever is applicable. You do not have to complete column (b) through column (f). Write “From Schedule K-1 (565) or Schedule K-1 NR (565)” across these columns.
- If a gain is reported on line 6, column (e), and it is a passive activity amount to you, report the gain on Schedule D-1, line 2, column (h), and be sure to see “Passive Loss Limitations” on page 1 of the instructions for Schedule D-1.
- If a loss is reported on line 6, column (e), and it is a passive activity amount to you, see “Passive Loss Limitations” on page 1 of the instructions for Schedule D-1. You must use form FTB 3801 to determine how much of the loss is allowed on Schedule D-1.

Line 7 – Other Income (Loss)

Amounts on this line are other items of income, gain or (loss) not included on line 1 through line 6.

The partnership should give you a description of the amount of your share for each of these items.

The instructions below tell you where to report line 7 items if the items are not passive activity amounts.

Report loss items that are passive activity amounts on form FTB 3801.

Report income or gain items that are passive activity amounts as instructed below. However, if in addition to this passive activity income or gain, you have passive activity losses from any other source, report the passive activity income or gain on form FTB 3801.

Line 7 items may include:

- partnership gains from disposition of farm recapture property (get Schedule D-1) and other items to which IRC Section 1252 applies;
- recoveries of bad debts, prior taxes and delinquency amounts (IRC Section 111). Report the amount from line 7, column (c), on Schedule CA (540 or 540NR), line 21f, column B or line 21f, column C, whichever is applicable;
- gains and losses from wagering (IRC Section 165(d));
- any income, gain or (loss) to the partnership under IRC Section 751. Report this amount on Schedule D-1, line 10;
- specially allocated ordinary gain or (loss). Report this amount on Schedule D-1, line 10; and
- net gain or (loss) from involuntary conversions due to casualty or theft. The partnership will give you a schedule that shows the California amounts to be entered on federal Form 4684, Casualties and Thefts, Section B, Part II, line 34, column (b)(i), column (b)(ii) and column (c).

B Deductions

Line 8a

& Line 8b – Charitable and Political Contributions

The partnership will give you a schedule that shows which contributions were subject to the 50 percent, 30 percent and 20 percent limitations. For further information, see the instructions for federal Form 1040.

If there is an amount on Schedule K-1 (565) or Schedule K-1 NR (565), line 8a or line 8b, column (c), enter this amount on Schedule CA (540 or 540NR), line 36.

Line 9 – Expense Deduction for Recovery Property

The maximum amount of expense deduction for recovery property (IRC Section 179 deduction) that you can claim for all sources is \$10,000. The \$10,000 limit is reduced if the total cost of IRC Section 179 property placed in service during the year exceeds \$200,000. The partnership will give you information on your share of the IRC Section 179 deduction and of the cost of the partnership's IRC Section 179 property so that you can compute this limitation. Your IRC Section 179 deduction is also limited to your taxable income from all of your trades or businesses. See form FTB 3885A, Depreciation and Amortization Adjustments and get federal Publication 534, Depreciation, for more information.

If the IRC Section 179 deduction is a passive activity amount, report it on the applicable line of form FTB 3801. If it is not a passive activity amount, and there is an amount on Schedule K-1 (565), line 9, column (c), enter this amount on Schedule CA (540 or 540NR), line 21f, column B or line 21f, column C, whichever is applicable.

Refer to R&TC Sections 17252.5, 17265 and 17266 on how to figure the expense deduction for recovery property.

Line 10 – Deduction Related to Portfolio Income

Amounts entered on this line are the deductions that are clearly and directly allocable to portfolio income (other than investment interest expense and expenses from a REMIC). If you have an amount on Schedule K-1 (565) or Schedule K-1 NR (565), line 10, column (c), enter this amount on Schedule CA (540 or 540NR), line 21f, column B or column C, as applicable. If any of the line 10 amount should not be reported on Schedule CA (540 or 540NR), the partnership will have identified that amount for you.

Line 11 – Other Deductions

Amounts on this line are deductions not included on line 8a through line 10. If there is an amount on Schedule K-1 (565) or Schedule K-1 NR (565), line 11, column (c), enter this amount on the applicable line of Schedule CA (540 or 540NR).

C Investment Interest Expense

If the partnership paid or accrued interest on debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited.

For more information and the special provisions that apply to investment interest expense, get form FTB 3526, Investment Interest Expense Deduction, and federal Publication 550, Investment Income and Expenses.

Line 12a – Interest Expense on Investment Debts

Enter the amount from column (e) on form FTB 3526 along with your investment interest expense from any other sources. Form FTB 3526 will help you determine how much of your total investment interest is deductible.

Line 12b(1)

& Line 12b(2) – Investment Income and Investment Expenses

Use the column (e) amounts to determine the amount to enter on form FTB 3526, line 3.

Caution: The amounts shown on line 12b(1) and line 12b(2) include only investment income and expenses included on line 4 and line 10 of this Schedule K-1 (565) or Schedule K-1 NR (565). The partnership should attach a schedule that shows the amount of any investment income and expenses included in any other lines of this Schedule K-1 (565) or Schedule K-1 NR (565). Use these amounts, if any, to adjust line 12b(1) and line 12b(2) to determine your total investment income and total investment expenses from this partnership.

Combine these totals with investment income and expenses from all other sources to determine the amount to enter on form FTB 3526, line 3.

D Credits

If you have credits that are passive activity credits to you, you must complete form FTB 3801-CR (or form FTB 3802 for corporations) in addition to the credit forms referenced. Get the instructions for form FTB 3801-CR (or form FTB 3802) for more information.

Line 13b – Low-Income Housing Credit

Your share of the partnership's low-income housing credit is shown on line 13b, column (e). Any allowable credit is entered on form FTB 3521, Low-Income Housing Credit. The passive activity credit limitations of IRC Section 469, however, may limit the amount of credit you take. Credits from passive activities are generally limited to tax attributable to passive activities.

Caution: You cannot claim the low-income housing credit on any qualified low-income housing project for which any person was allowed any benefit under IRC Section 502 of the Tax Reform Act of 1986.

Line 13c – Other Credits Related to Rental Real Estate Activities

If applicable, the partnership will use this line, through an attached schedule, to give you the information you need to compute credits related to rental real estate activities other than the low-income housing credit.

Line 13d – Credits Related to Other Rental Activities

If applicable, the partnership will use this line, through an attached schedule, to give you the information you need to compute credits related to rental activities other than rental real estate activities.

Line 14 – Other Credits

If applicable, the partnership will use this line, through an attached schedule, to give you the information you need to compute credits related to a trade or business activity.

Examples of credits that may be reported on line 14 (depending on the type of activity they relate to) include:

- enterprise zone hiring and sales and use tax credit — get form FTB 3805Z.
- jobs credit — get form FTB 3524.
- orphan drug credit carryover — get form FTB 3540.
- employer child care program/contribution credit — get form FTB 3501.
- program area hiring and sales and use tax credit — get form FTB 3805Z.
- Los Angeles revitalization zone hiring and sales and use tax credit — get form FTB 3806.
- research credit — get form FTB 3523.
- commercial solar electric system credit carryover — get form FTB 3540.
- prison inmate labor credit — get form FTB 3507.
- low-emission vehicles credit — contact the California Energy Commission for more information. Use credit code 160.
- recycling equipment credit — get form FTB 3540.

Note: The passive activity limitations of IRC Section 469 may limit the amount of credits on line 13b, line 13c, line 13d and line 14. Line 13b, line 13c and line 13d credits are related to the rental activities of the partnership and are passive activity credits to all partners. Line 14 credits are related to the trade or business activities of the partnership and some are passive activity credits to all limited partners. In general, credits from passive activities are limited to tax attributable to passive activities. Credits on line 14 that may be limited under the passive activity credit rules are the:

- jobs credit;
- orphan drug credit carryover;
- research credit; and
- low-income housing credit.

You may be able to use line 13d credits against tax on other income. The amount of the useable credits is limited to the deduction equivalent up to \$25,000 (net of losses from rental real estate activities deductible against up to \$25,000 of other income).

You may also include on line 14 your distributive share of net income taxes paid to other states by the partnership. Subject to the limitations of R&TC Section 18006, partners may claim a credit against their individual tax for net income taxes paid by the partnership to another state. The amount of tax paid is required to be supported by a copy of the return filed with the other state and evidence of the payment of the tax. Get Schedule S, Other State Tax Credit, for more information.

E Adjustments and Tax Preference Items**Line 15a through Line 15e**

column (e) – Use the information reported on line 15a through line 15e, column (e) as well as your adjustments and tax preference items from other sources to complete Schedule P (540), Alternative Minimum Tax and Credit Limitations — Residents; Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents or Part Year Residents; Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries; or Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations. For additional information, see the federal instructions for Schedule K-1 (1065), Tax Preference Items, line 16a through line 16e.

F Other**Line 16 through Line 19**

– See the federal instructions for Schedule K-1 (1065), Other, line 18 through line 21. The partnership should give you a description and the amount of your share for each item applicable to California, in this category.

Line 20 – If the partnership income is from activities within and outside California, the partnership will complete Schedule R, Apportionment and Allocation of Income, to determine the partnership income from California sources. Nonresident and corporate partners must report their share of income apportioned or allocated to California as indicated on Schedule K-1 NR (565). Special rules apply if a partner and the partnership engage in a unitary business. See 18 Cal. Code Reg. Sections 17951 and 25137-1 for more information. Resident partners must report all of their share of the partnership's income. However, you may qualify for a credit for taxes paid to other states on income which is apportioned or allocated to a state other than California. Information on this line has been provided by the partnership to enable resident and nonresident partners to properly report their income.

1994

Instructions for Automatic Extension for Limited Partnerships and REMICS

3538

General Information

If a limited partnership or real estate mortgage investment conduit (REMIC) cannot file its California partnership return by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 17, 1995 (calendar year filers) it may file its partnership return on or before the 15th day of the tenth month following the close of the taxable year (fiscal year filers) or October 16, 1995 (calendar year filers), without filing a written request.

However, to avoid late payment penalties and interest, 100 percent of the limited partnership or REMIC's tax liability of \$800 must be paid by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 17, 1995 (calendar year filers). Use the payment voucher below to mail in the payment. Enter the tax due on the form FTB 3538 voucher below and **mail only the voucher portion** with the payment to:

**Franchise Tax Board
P.O. Box 942867
Sacramento, CA 94267-0051**

The partnership return when filed on or before the 15th day of the tenth month following the close of the taxable year (fiscal year filers) or October 16, 1995 (calendar year filers), will verify the limited partnership or REMIC qualified for the extension.

Note: If the limited partnership or REMIC pays the tax liability with form FTB 3538, write "paid with form FTB 3538" below line 23 on Form 565, Partnership Return of Income.

Penalties and Interest

Remember, an extension of time to file the partnership or REMIC return is not an extension of time to pay the tax. If the limited partnership or REMIC fails to pay its total tax liability by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 17, 1995 (calendar year filers), a late payment penalty plus interest will be added to the partnership tax due. If the limited partnership or REMIC does not file its return by the 15th day of the tenth month following the close of the taxable year (fiscal year filers) or October 16, 1995 (calendar year filers), a late filing penalty and interest will be assessed.

CUT HERE

TAXABLE YEAR

1994

Payment Voucher for Automatic Extension for Limited Partnerships and REMICS

CALIFORNIA FORM

3538

Partnership/REMIC name		Federal employee identification number			
DBA		Fiscal year filers, enter year ending			
Present address (number and street including apartment number, P.O. Box or rural route)			5 6 5		
City, town or post office, state and ZIP code					
IF NO PAYMENT IS DUE, DO NOT FILE THIS FORM					
MAIL TO: Franchise Tax Board P.O. Box 942867 Sacramento, CA 94267-0051		Amount of payment <table border="1"> <tr> <td>\$</td> <td>00</td> </tr> </table>		\$	00
\$	00				
(Calendar year — Due April 17, 1995)					

Regular Toll-Free Phone Service

Our regular toll-free phone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 3 through April 17, 1995. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening. Service is also available on Saturdays, April 8 and April 15, from 8:00 a.m. until 5:00 p.m. After April 17, service is available Monday through Friday, between 8:00 a.m. and 5:00 p.m.

From within the United States 1-800-852-5711

From outside the United States 1-916-845-6500
(not toll-free)

From hearing impaired with TDD . . . 1-800-822-6268

For federal tax questions, call the IRS at 1-800-829-1040.

Bilingual Assistance

Para obtener servicio bilingüe de información sobre impuestos o formularios, al número de teléfono (anotado arriba) que le corresponde.

Letters

We can serve you quickly if you call us or visit a district office for information to complete your California tax return. However, you may want to write to us if you are replying to a notice we sent you, or to get a reply in writing.

If you write to us be sure to include your federal identification number and your daytime and evening telephone numbers in your letter. Send your letter to:

Franchise Tax Board
P.O. Box 942840
Sacramento, CA 94240-0040

We will acknowledge receipt of your letter within six to eight weeks. In some cases, we may need to call you for additional information.

Your Rights As A Taxpayer

Our goal at the Franchise Tax Board is to make certain that your rights are protected, so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the Franchise Tax Board on whether a particular transaction is taxable. You can order FTB Pub. 4058 by writing or calling the Franchise Tax Board using the address or telephone number on this page.

Personal Assistance

Addresses of FTB offices are shown below. You can get information and California tax forms, and you can resolve problems involving your account. Our district offices are open Monday through Friday from 8:00 a.m. to 5:00 p.m.

District Offices	Address
Bakersfield	1430 Truxtun Avenue
Burbank	333 North Glenoaks Blvd.
Fresno	2550 Mariposa Street
Long Beach	245 West Broadway
Los Angeles	300 South Spring Street
Oakland	1970 Broadway
Sacramento	8745 Folsom Boulevard
San Bernardino	215 North D Street
San Diego	5353 Mission Center Road
San Francisco	50 Fremont Street
San Jose	96 North Third Street
Santa Ana	600 West Santa Ana Blvd.
Santa Barbara	360 South Hope Avenue
Santa Rosa	50 D Street
Stockton	31 East Channel Street
West Covina	100 North Barranca Street